



CONSOLIDATED FIRST HALF FINANCIAL  
REPORT AS AT JUNE 30, 2022

**FINECO**



# FinecoBank S.p.A. Consolidated First Half Financial Reports as at 30 June 2022



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# Board of Directors, Board of Statutory Auditors and External Auditors

## Board of Directors

Marco Mangiagalli	Chairman
Francesco Saita	Vice Chairman
Alessandro Foti	Chief Executive Officer and General Manager

## Directors

Alessandra Pasini
Elena Biffi
Giancarla Branda
Gianmarco Montanari
Maria Alessandra Zunino De Pignier
Marin Gueorguiev
Paola Giannotti De Ponti
Patrizia Albano

## Board of Statutory Auditors

Luisa Marina Pasotti	Chairman
Giacomo Ramenghi Massimo Gatto	Standing Auditors
Lucia Montecamozzo Alessandro Gaetano	Alternate Auditors
KPMG S.p.A.	External Auditors
Lorena Pellicciari	Nominated Official in charge of drawing up Company Accounts

The Board of Directors and the Board of Statutory Auditors will remain in office until the date of the Shareholders' Meeting held to approve 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-Monza-Brianza-Lodi 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, 2021 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 has 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 and applicable to financial reports for the periods starting on January 1, 2022. 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 2021; As envisaged by IAS 34, the balance sheet figures have been compared with those as at December 31, 2021, 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, 2021;
- 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 first half 2022, as well as the additional information required by Consob. In support of the comments on the results for the half-year, the condensed Income Statement and Balance Sheet tables are presented and illustrated in the Consolidated Interim Report on Operations, the reconciliation of which with the consolidated Financial Statements is shown in the Attachments, and the Alternative Performance Measures ("APMs") are used, the explanatory description of which regarding the content and, if applicable, the calculation methods used are shown in the Glossary. It should be noted that in the context resulting from the COVID-19 pandemic and the Russian-Ukrainian conflict, no new indicators have been introduced, nor have any changes been made to the indicators normally used;
- 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 Report on Operations and the Consolidated 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, 2022 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.



# Summary data

FinecoBank is one of the leading FinTech banks in Europe. Listed on the FTSE MIB, Fineco offers a unique business model in Europe, combining the best platforms with a large network of financial advisors. It offers banking, credit, trading and investment services from a single account through transactional and advisory platforms developed with proprietary technologies. Fineco is a leader in brokerage in Europe, and one of the most important players in private banking in Italy, with evolved and highly personalized advisory services.

The FinecoBank Group consists of the Parent Company Fineco and Fineco Asset Management DAC (hereinafter Fineco AM), a collective asset management company under Irish law, whose mission is to develop investments solutions in partnership with top international assets manager.

FinecoBank is listed on the Milan Stock Market and has been on Borsa Italiana's FTSE Mib index since April 1, 2016. On March 20, 2017, the stock became part of the STOXX Europe 600 Index.

On 27th April 2022, S&P Global Ratings agency confirmed the rating assigned to Fineco: 'BBB' long-term with a positive outlook and short-term rating was confirmed at A-2. According to S&P Global Ratings, the positive outlook "anticipates resilient revenue prospects for Fineco and particularly limited credit risk, while exceptional cost efficiency will continue to support its capitalization." The outlook on the Bank mirrors that on Italy.

FinecoBank is on the Standard Ethics Italian Banks Index© 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. During 2021, the independent agency Standard Ethics confirmed FinecoBank's rating for the second year running at the "EE+" level, thus placing the Bank among only two banks with the strongest sustainability rating currently assigned. In the reasons that led to the decision, Standard Ethics cites FinecoBank's flexibility and ability to adapt quickly to market challenges: characteristics that have enabled the rapid implementation of ESG strategies in line with the indications of the UN, OECD and European Union. The agency also highlights Fineco's achievements in the area of sustainability governance, starting with the best practice represented by the company's Board of Directors in terms of independence, professional pluralism and gender equality. In addition, improvements have been achieved in the scores given by the other major ESG rating agencies: during the first half 2022 Sustainalytics improved Fineco's ESG risk rating from 16.0 (Low risk) at the end of 2021 to 15.8 (Low risk), confirming its position among the best banks internationally; S&P's Corporate Sustainability Assessment 2021 saw an increase in the score from 54 points out of 100, related to 2020, to 65 points out of 100; the excellent result obtained in the update of Vigeo Eiris' ESG rating, equal to 54 points out of 100 (robust performance), in December 2021 allowed Fineco to be included in Euronext's MIB ESG Index, the first ESG index dedicated to Italian blue-chips, designed to identify large Italian listed issuers with the best ESG practices; while Refinitiv and MSCI substantially confirmed the ratings assigned the previous year, respectively 85 points out of 100, indicating excellent ESG performance and a high degree of transparency in public sustainability reporting, and 'A', a rating in line with the average for the 'diversified financials' sector. At the end of the first half 2022, the Bank was also included in the Euronext MIB ESG Index, FTSE4Good, the Bloomberg Gender Equality Index (GEI) 2022, the Standard Ethics Italian Banks Index, the Standard Ethics Italian Index, S&P Global 1200 ESG Index and the Nasdaq CRD Global Sustainability Index.

Despite the continuation of the COVID-19 pandemic, Russia's invasion of Ukraine and the increase of inflation, the first half 2022 Group's results provide further confirmation of the strength and sustainability of business model. Fineco's growth path is due to extremely solid foundations as it is driven by the rapid success of the structural trends taking place in the country, among which digitization stands out. The increasing demand from customers for advanced investment solutions was a determining factor for the positive result of the Investing area, to which Fineco AM is increasingly contributing. In addition, the review of the brokerage offering continues with the introduction of new products and services, with the aim of offering clients increasingly efficient and transparent tools in line with Fineco's business model.

The Group's growth path allowed to achieve extremely robust inflow results in the first half of 2022. **Net sales** came to € 5,636 million during the first half 2022, substantially in line with the record result of € 5,787 million recorded in the first half of 2021, even if with a different composition; the net sales of assets under management came to € 1,702, the net sales of assets under custody came to € 2,911 million and direct deposits came to € 1,023 million. FAM's ratio, calculated by comparing the company's net retail inflows to net managed inflows, is 80.7% (56.8% in the first half of 2021). This is a result that confirms, on the one hand, the effectiveness of a business model capable of coping with difficult market phases and, on the other hand, an ever-increasing appetite for investment on a particularly advanced clientele. During the first half 2022, net sales through the network of Personal Financial Advisors totalled € 4,935 million.

As of June 30, 2022, the **balance of direct and indirect inflows** from customers stood at € 102,804 million. FAM's managed assets totalled € 24.5 billion, of which € 14.6 billion are related to retail classes and € 9.9 billion are related to institutional classes. This result highlights the ongoing acceleration in the company's growth process. FAM's ratio, calculated by relating the company's retail assets to the balance of assets under management, is 28.8%. As at June 30, 2022 the balance of direct and indirect inflows of the Network of personal financial advisors amounts to € 90,078 million.

The balance of direct and indirect inflows related to Private clients, i.e. with assets above € 500,000, totalled € 43,304 million, equals to 42.1% of Total Financial Assets (TFA) of the Group.

During the first half 2022, € 142 million in personal loans and € 259 million in mortgages were granted, and € 679 million in current account overdrafts was arranged, with an increase in exposures in current account of € 158 million; this has resulted an overall 5.9%<sup>1</sup> aggregate increase in **loans receivable with ordinary customers** compared to December 31, 2021. Credit quality remains high, with a cost of risk at 2 bps, driven by the principle of offering credit exclusively to existing customers, making use of specialist tools to analyse the bank's vast information base. The cost of risk is

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

# Summary data

structurally contained and fell further thanks also to the effect of new loans, which are mainly secured and low-risk. The ratio between net impaired loans and total loans to ordinary customers as at June 30, 2022 was 0.07% (0.08% as at December 31, 2021).

The **total number of customers** as at 30 June 2022 was 1,454,645 up to 1.9 % compared to 31 December 2021. Customers continue to reward Fineco's transparent approach, high quality and comprehensive range of financial services as represented through the "one-stop solution" concept.

The first half results confirm the sustainability and strength of the business model, which is capable of generating profits in all market conditions. The **net profit for the period** amounted to € 222.4 million, with an increase of 2.6% on the first half of the previous year. Excluding nonrecurring items recorded in the first half of 2022<sup>2</sup>, the profit for the period would be € 222.6 million; it shows an increase of 20.5% over the profit adjusted for nonrecurring items in the first half of 2021<sup>3</sup>. The cost/income ratio amounted to 29.3% (31.3% as at June 30, 2021), confirming the operating efficiency of the Group and the spread of the company culture on controlling costs. There was a significant contribution from Investing (+ € 26.9 million) thanks to Fineco Asset Management's increasing contribution, volume growth and higher net margins on assets under management.

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 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, thanks to the vertically integrated business model, placement and distribution services of about 6,000 products, including mutual funds and SICAV sub-funds managed by 75 leading Italian and international investment firms, insurance and pension products, as well as investment advisory services through a network of 2,887 personal financial advisors (Italy's third largest network).

## Condensed financial statements and indicators

The Interim Consolidated Management Report presents and illustrates the reclassified income statement and balance sheet, the reconciliation of which with the consolidated financial statements is shown in the Appendices "Reconciliation Schedules for the Preparation of the Reclassified Consolidated Financial Statements" (in line with Consob Communication No.6064293 of July 28, 2006).

As described in the Introduction to the Consolidated First Half Financial Report, all data and Alternative Performance Indicators ("APIs") presented in this Consolidated Report on operations refer to the condensed income statement and condensed balance sheet, the reconciliation of which with the consolidated and company financial statements is provided in the Annexes (in line with Consob Communication no. 6064293 of 28 July 2006). With reference to Alternative Performance Indicators ("APIs"), the European Securities and Markets Authority (ESMA) has issued specific guidelines<sup>4</sup> on the criteria for their presentation in regulated information, including therefore the Consolidated Half-Year Financial Report, when such indicators are not defined or provided for in the financial reporting framework. These guidelines are intended to promote the usefulness and transparency of APIs, and compliance with them will improve the comparability, reliability and understandability of APIs, with consequent benefits for users of financial information. Consob has transposed the Guidelines in Italy and incorporated them into its own supervisory practices<sup>5</sup>. According to the definition of the ESMA Guidelines, an API is an indicator of historical or future financial performance, financial position or cash flows that is different from a financial indicator defined or specified in applicable financial reporting frameworks and is usually derived from financial statement items prepared in accordance with applicable financial reporting frameworks. Indicators published in accordance with prudential requirements are not strictly speaking part of the definition of an API. Explanatory descriptions of the content of APIs and, where applicable, the methods of calculation used are provided in the Glossary.

<sup>2</sup> Change in fair value of exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of € -0.2 million (net of tax effect).

<sup>3</sup> Tax benefit from the tax realignment of goodwill carried out by FinecoBank, as provided for in Article 110 of DL 104 of 2020, in the amount of € 32 million.

<sup>4</sup> ESMA/2015/1415.

<sup>5</sup> Consob Communication No. 0092543 of 3 December 2015.

# Summary data

## Condensed Accounts

### Consolidated balance sheet

(Amounts in € thousand)

ASSETS	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amounts	%
Cash and cash balances	1,542,372	1,464,182	78,190	5.3%
Financial assets held for trading	20,020	20,240	(220)	-1.1%
Loans and receivables with banks	400,215	379,862	20,353	5.4%
Loans and receivables with customers	6,310,789	6,001,596	309,193	5.2%
Financial investments	25,294,566	24,560,350	734,216	3.0%
Hedging instruments	948,764	125,913	822,851	n.a.
Property, plant and equipment	146,686	150,347	(3,661)	-2.4%
Goodwill	89,602	89,602	-	n.a.
Other intangible assets	37,525	39,084	(1,559)	-4.0%
Tax assets	44,681	42,974	1,707	4.0%
Tax credits acquired	827,217	508,764	318,453	62.6%
Other assets	415,278	484,261	(68,983)	-14.2%
<b>Total assets</b>	<b>36,077,715</b>	<b>33,867,175</b>	<b>2,210,540</b>	<b>6.5%</b>

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amounts	%
Deposits from banks	2,333,322	1,225,213	1,108,109	90.4%
Deposits from customers	30,827,605	29,847,722	979,883	3.3%
Debt securities in issue	498,833	497,266	1,567	0.3%
Financial liabilities held for trading	7,104	4,417	2,687	60.8%
Hedging instruments	2,581	65,263	(62,682)	-96.0%
Tax liabilities	118,430	35,864	82,566	230.2%
Other liabilities	580,560	464,633	115,927	25.0%
Shareholders' equity	1,709,280	1,726,797	(17,517)	-1.0%
- capital and reserves	1,487,091	1,351,963	135,128	10.0%
- revaluation reserves	(174)	(5,877)	5,703	-97.0%
- net profit	222,363	380,711	(158,348)	-41.6%
<b>Total liabilities and Shareholders' equity</b>	<b>36,077,715</b>	<b>33,867,175</b>	<b>2,210,540</b>	<b>6.5%</b>

# Summary data

## Consolidated balance sheet - Quarterly data

(Amounts in € thousand)

ASSETS	Amounts as at				
	06/30/2022	03/31/2022	12/31/2021	09/30/2021	06/30/2021
Cash and cash balances	1,542,372	1,752,145	1,464,182	2,031,291	1,861,776
Financial assets held for trading	20,020	20,123	20,240	23,589	21,393
Loans and receivables with banks	400,215	380,873	379,862	397,493	392,272
Loans and receivables with customers	6,310,789	6,088,369	6,001,596	5,624,283	5,269,368
Financial investments	25,294,566	25,368,592	24,560,350	24,421,922	24,626,581
Hedging instruments	948,764	465,840	125,913	91,929	85,051
Property, plant and equipment	146,686	148,424	150,347	151,866	153,030
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	37,525	38,264	39,084	37,270	38,189
Tax assets	44,681	44,355	42,974	49,405	38,323
Tax credits acquired	827,217	601,178	508,764	393,970	75,065
Other assets	415,278	401,015	484,261	221,546	254,110
<b>Total assets</b>	<b>36,077,715</b>	<b>35,398,780</b>	<b>33,867,175</b>	<b>33,534,166</b>	<b>32,904,760</b>

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at				
	06/30/2022	03/31/2022	12/31/2021	09/30/2021	06/30/2021
Deposits from banks	2,333,322	1,808,045	1,225,213	1,168,612	1,172,802
Deposits from customers	30,827,605	30,735,609	29,847,722	29,804,975	29,141,477
Debt securities in issue	498,833	498,045	497,266	-	-
Financial liabilities held for trading	7,104	9,666	4,417	6,234	4,937
Hedging instruments	2,581	(754)	65,263	90,522	118,586
Tax liabilities	118,430	89,277	35,864	73,768	35,666
Other liabilities	580,560	404,164	464,633	420,583	534,610
Shareholders' equity	1,709,280	1,854,728	1,726,797	1,969,472	1,896,682
- capital and reserves	1,487,091	1,733,365	1,351,963	1,683,389	1,681,875
- revaluation reserves	(174)	(2,097)	(5,877)	(3,175)	(1,863)
- net profit	222,363	123,460	380,711	289,258	216,670
<b>Total liabilities and Shareholders' equity</b>	<b>36,077,715</b>	<b>35,398,780</b>	<b>33,867,175</b>	<b>33,534,166</b>	<b>32,904,760</b>

# Summary data

## Consolidated Income Statement

(Amounts in € thousand)

	1st half		Changes	
	2022	2021	Amounts	%
Financial margin	176,407	147,897	28,510	19.3%
of which Net interest	126,961	124,338	2,623	2.1%
of which Profits from Treasury	49,446	23,559	25,887	109.9%
Dividends and other income from equity investments	(148)	-	(148)	n.a.
Net fee and commission income	232,514	214,346	18,168	8.5%
Net trading, hedging and fair value income	54,843	40,571	14,272	35.2%
Net other expenses/income	416	644	(228)	-35.4%
<b>REVENUES</b>	<b>464,032</b>	<b>403,458</b>	<b>60,574</b>	<b>15.0%</b>
Staff expenses	(57,538)	(52,884)	(4,654)	8.8%
Other administrative expenses	(134,364)	(128,028)	(6,336)	4.9%
Recovery of expenses	69,063	67,470	1,593	2.4%
Impairment/write-backs on intangible and tangible assets	(13,191)	(12,662)	(529)	4.2%
<b>Operating costs</b>	<b>(136,030)</b>	<b>(126,104)</b>	<b>(9,926)</b>	<b>7.9%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>328,002</b>	<b>277,354</b>	<b>50,648</b>	<b>18.3%</b>
Net impairment losses on loans and provisions for guarantees and commitments	(1,225)	(1,688)	463	-27.4%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>326,777</b>	<b>275,666</b>	<b>51,111</b>	<b>18.5%</b>
Other charges and provisions	(12,498)	(14,023)	1,525	-10.9%
Net income from investments	(754)	1,239	(1,993)	-160.9%
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>313,525</b>	<b>262,882</b>	<b>50,643</b>	<b>19.3%</b>
Income tax for the period	(91,162)	(46,212)	(44,950)	97.3%
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>222,363</b>	<b>216,670</b>	<b>5,693</b>	<b>2.6%</b>
<b>NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE GROUP</b>	<b>222,363</b>	<b>216,670</b>	<b>5,693</b>	<b>2.6%</b>

# Summary data

## Consolidated Income Statement - Quarterly data

(Amounts in € thousand)

	2022	
	1st Quarter	2nd Quarter
Financial margin	107,461	68,946
of which Net interest	59,347	67,614
of which Profits from Treasury	48,114	1,332
Dividends and other income from equity investments	(45)	(103)
Net fee and commission income	118,637	113,877
Net trading, hedging and fair value income	28,989	25,854
Net other expenses/income	365	51
<b>REVENUES</b>	<b>255,407</b>	<b>208,625</b>
Staff expenses	(28,348)	(29,190)
Other administrative expenses	(69,366)	(64,998)
Recovery of expenses	35,335	33,728
Impairment/write-backs on intangible and tangible assets	(6,590)	(6,601)
<b>Operating costs</b>	<b>(68,969)</b>	<b>(67,061)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>186,438</b>	<b>141,564</b>
Net impairment losses on loans and provisions for guarantees and commitments	(801)	(424)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>185,637</b>	<b>141,140</b>
Other charges and provisions	(10,239)	(2,259)
Net income from investments	(553)	(201)
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>174,845</b>	<b>138,680</b>
Income tax for the period	(51,385)	(39,777)
<b>NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>123,460</b>	<b>98,903</b>
<b>NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE GROUP</b>	<b>123,460</b>	<b>98,903</b>



# Summary data

(Amounts in € thousand)

	2021			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Financial margin	75,071	72,826	69,239	62,894
of which Net interest	61,823	62,515	61,798	61,753
of which Profits from Treasury	13,248	10,311	7,441	1,141
Dividends and other income from equity investments	-	-	-	(26)
Net fee and commission income	108,080	106,266	110,083	126,379
Net trading, hedging and fair value income	23,888	16,683	15,614	18,123
Net other expenses/income	512	132	(1,457)	(497)
<b>REVENUES</b>	<b>207,551</b>	<b>195,907</b>	<b>193,479</b>	<b>206,873</b>
Staff expenses	(26,217)	(26,667)	(27,369)	(29,347)
Other administrative expenses	(62,979)	(65,049)	(63,396)	(71,122)
Recovery of expenses	32,367	35,103	35,751	36,250
Impairment/write-backs on intangible and tangible assets	(6,275)	(6,387)	(6,437)	(7,119)
<b>Operating costs</b>	<b>(63,104)</b>	<b>(63,000)</b>	<b>(61,451)</b>	<b>(71,338)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>144,447</b>	<b>132,907</b>	<b>132,028</b>	<b>135,535</b>
Net impairment losses on loans and provisions for guarantees and commitments	(477)	(1,211)	(360)	393
<b>NET OPERATING PROFIT (LOSS)</b>	<b>143,970</b>	<b>131,696</b>	<b>131,668</b>	<b>135,928</b>
Other charges and provisions	(8,236)	(5,787)	(31,058)	(4,857)
Net income from investments	(583)	1,822	280	(440)
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>135,151</b>	<b>127,731</b>	<b>100,890</b>	<b>130,631</b>
Income tax for the period	(40,407)	(5,805)	(28,302)	(39,178)
<b>NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>94,744</b>	<b>121,926</b>	<b>72,588</b>	<b>91,453</b>
<b>NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE GROUP</b>	<b>94,744</b>	<b>121,926</b>	<b>72,588</b>	<b>91,453</b>

# Summary data

## Main balance sheet figures

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amounts	%
Loans receivable with ordinary customers <sup>1</sup>	5,734,337	5,416,604	317,733	5.9%
Total assets	36,077,715	33,867,175	2,210,540	6.5%
Direct deposits <sup>2</sup>	30,518,392	29,495,292	1,023,100	3.5%
Assets under administration <sup>3</sup>	72,285,865	78,420,121	(6,134,256)	-7.8%
Total customers sales (direct and indirect)	102,804,257	107,915,413	(5,111,156)	-4.7%
Shareholders' equity	1,709,280	1,726,797	(17,517)	-1.0%

(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 customer deposits include accounts payable.

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

## Operating structure

	Data as at		
	06/30/2022	12/31/2021	06/30/2021
No. Employees	1,316	1,305	1,280
No. Personal financial advisors	2,887	2,790	2,731
No. Financial shops <sup>1</sup>	423	424	414

(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		
	06/30/2022	12/31/2021	06/30/2021
Financial margin/Revenues	38.00%	34.84%	36.66%
Income from brokerage and other income/Revenues	62.00%	65.16%	63.34%
Income from brokerage and other income/Operating costs	211.55%	202.33%	202.66%
Cost/income ratio	29.31%	32.21%	31.26%
Operating costs/TFA	0.26%	0.26%	0.26%
Cost of risk	2 bp	4 bp	7 bp
CoR (incentive system)	2 bp	3 bp	7 bp
ROE	29.18%	23.91%	27.64%
Return on assets	1.23%	1.12%	1.32%
EVA (calculated on allocated capital)	192,039	340,177	197,304
EVA (calculated on accounting capital)	140,903	243,881	150,171
RARORAC (calculated on allocated capital)	57.76%	62.44%	75.80%
RARORAC (calculated on accounting capital)	15.78%	13.26%	16.80%
ROAC (calculated on allocated capital)	66.88%	69.88%	83.20%
ROAC (calculated on accounting capital)	24.90%	20.70%	24.20%
Total sales to customers/Average employees	78,447	84,079	79,741
Total customer sales/(Average employees + average PFAs)	24,778	27,104	25,741

### 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 Revenues.

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, 2022 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 June 30, 2022 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 expected to be distributed and the revaluation reserves) for the year (average between the amount of the end of year and the amount of the shareholders' equity as at December 31 of previous year). The result for the period as of June 30, 2022 and June 30, 2021 has been annualized.

Return on assets: ROA: ratio of net profit after tax to total assets. The result for the period as of June 30, 2022 and June 30, 2021 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<sup>6</sup> 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).

For the calculation of the EVA, RARORAC and ROAC indicators as at 30 June 2022, the economic capital as at 30 June 2022 is kept the same as at 31 March 2022, the latest available figure.

<sup>6</sup> Allocated capital is the greater of regulatory capital and economic capital.

# Summary data

## Balance Sheet indicators

	Data as at	
	06/30/2022	12/31/2021
Loans receivable with ordinary customers/Total assets	15.89%	15.99%
Loans and receivables with banks/Total assets	1.11%	1.12%
Financial assets/Total assets	70.11%	72.52%
Direct sales/Total liabilities and Shareholders' equity	84.59%	87.09%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	4.74%	5.10%
Ordinary customer loans/Direct deposits	18.79%	18.36%

Credit quality	Data as at	
	06/30/2022	12/31/2021
Non-performing loans/Loans receivable with ordinary customers	0.08%	0.08%
Bad loans/Loans receivable with ordinary customers	0.04%	0.04%
Coverage <sup>1</sup> - Bad loans	88.93%	88.70%
Coverage <sup>1</sup> - Unlikely to pay	65.65%	66.10%
Coverage <sup>1</sup> - Impaired past-due exposures	55.48%	50.05%
Coverage <sup>1</sup> - Total Non-performing loans	82.56%	82.15%

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

## The macroeconomic scenario and monetary policy

In the first months of the year, the recovery of the euro area economy and the improvement in the labour market continued, thanks to substantial support from economic policies. Shortages of materials, equipment and labour, however, held back production in some sectors, and high energy costs began to affect household incomes and corporate profits. Inflation, which had risen sharply in the last months of 2021, also continued its upward trend.

Russia's subsequent invasion of Ukraine had repercussions for the economy, in Europe and beyond. The conflict and its associated uncertainty severely affected business and consumer confidence, led to trade disruptions and material shortages, and contributed to high energy and commodity prices. Against this backdrop, inflation continued its run.

As an effect of Russia's invasion of Ukraine, the European Commission made it official in early March that the conflict would cause the economy to slow down. The EU executive had decided to give governments some freedom in finalising public budgets in 2023, not to open excessive deficit procedures in the spring and not to apply the rule requiring a debt cut of one-twentieth per year.

Experts believe, however, that the conditions are in place for the economic expansion to proceed, thanks to the ongoing reopening of the economy, the robustness of the labour market, budgetary support and the savings accumulated during the pandemic. Once the current adverse circumstances disappear, economic activity should accelerate again.

Against this background, the Governing Council decided to take further steps in the normalisation of monetary policy. During this process the Governing Council will maintain gradualness, flexibility, use of data and openness to options in the conduct of monetary policy. In this context, the Governing Council decided to end net purchases under the asset purchase programme (AAP) as of 1 July 2022. It intends to continue to reinvest, in full, the principal repaid on maturing securities under the AAP for an extended period of time after the date on which the ECB starts to raise key ECB interest rates and, in any event, as long as necessary to maintain abundant liquidity conditions and an appropriate monetary policy stance. In addition, on 21 July 2022, it decided to raise the ECB's three key interest rates by 50 basis points (the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will be raised to 0.50%, 0.75% and 0.00% respectively, with effect from 27 July 2022).

# Summary data

The future development of key interest rates set by the Governing Council will continue to be data-driven and will contribute to the achievement of the 2% inflation target in the medium term.

## The COVID-19 pandemic and the Russian-Ukrainian conflict

The first weeks of 2022 were marked by a new wave of infections in our country caused by the rapid spread of the Omicron variant. The following months saw a gradual attenuation of the contagions, and Decree-Law No. 24 of March 24, 2022, "Urgent provisions to overcome the measures to counter the spread of the COVID-19 epidemic, as a result of the termination of the state of emergency," ended on March 31, 2022, the state of emergency, which had been resolved by the Council of Ministers on January 31, 2020, and gradually extended. The rule modified the anti-Covid measures, phasing out, starting April 1, the restrictions then in place. Towards the end of the first half of the year, there was a new growth in contagions, the development of which in the near future is still difficult to predict.

At the same time, a military operation by Russia in Ukraine began on Feb. 24, 2022, triggering a military conflict and an international crisis. Since February, the European Union has imposed six sanctions packages on Russia, including targeted restrictive measures (individual sanctions), economic sanctions and diplomatic measures. The conflict has weighed on the economy in the first half of the year in Europe and beyond its borders; it has affected trade, caused material shortages, and contributed to high energy and commodity prices and, as a result, a significant rise in inflation.

Despite this context of uncertainty, in the first half of 2022 there were no significant impacts for the Group either in terms of deterioration of credit exposures (migration of positions to nonperforming or increase in the credit risk of counterparties with which the Group conducts credit activities), or in terms of liquidity management, which remained solid and stable, and from a forward-looking perspective there were no impacts in terms of strategic orientation, objectives and business model.

In fact, the Group has no direct exposure to Russian assets affected by the conflict, and indirect exposures, represented by collateral received as part of pledge-backed financing transactions (Credit Lombard and pledged overdraft), are of insignificant amounts. The Group has no direct commodity exposures and has limited ruble exposure. With reference to: (i) obligations to freeze funds with respect to sanctioned persons and entities, (ii) restrictions on the buying and selling of certain securities because they are issued by or related to sanctioned issuers, (iii) restrictions on financial flows to and from Russia, both in terms of prohibiting credit exposure to sanctioned entities and in terms of prohibiting the acceptance of deposits from Russian nationals or individuals or legal entities residing in Russia subject to specific exceptions, (iv) to the obligations to report to the relevant authorities, the Group uses safeguards to monitor the names of sanctioned individuals and entities and the ISINs of sanctioned financial instruments, which are necessary to initiate the consequent asset freezing activities required by the regulations. As of June 30, 2022, there were no direct or indirect exposures to individuals or entities subject to sanction measures applicable to the Group, so no asset freezing actions required by the regulations have been implemented on the individuals concerned. Finally, the Group constantly monitors the evolution of the regulatory framework of reference through information tools that enable the timely updating of the sanctions framework applicable to the Bank and the appropriate adjustment of the safeguards in place.

On March 14, 2022, the European Securities and Markets Authority (ESMA) published the Public Statement "ESMA71-99-1864" on the impacts of the Russian-Ukrainian crisis on EU financial markets, which outlines the supervisory and coordination activities undertaken in this context and contains recommendations to issuers on the information to be disclosed when approving their 2021 financial statements and subsequent financial reports. In this context, on March 18, 2022, Consob drew the attention of listed companies and other supervised issuers to the following issues coordinated in ESMA:

- disclose as soon as possible any inside information regarding the impacts of the crisis on fundamentals, prospects, and financial situation, consistent with transparency requirements under the Market Abuse Regulation, unless conditions exist for delaying the disclosure of the same; and
- provide information, to the extent possible on both a qualitative and quantitative basis, on the current and foreseeable direct and indirect effects of the crisis on business activities, exposures to affected markets, supply chains, financial position, and economic performance in the 2021 financial reports, if these have not yet been approved, and at the annual shareholders' meeting or otherwise in interim financial reports.

Consob expects the auditors and supervisory bodies to pay special attention to the above issues in their audits of financial reports, having particular regard to the effects on the issuer and its subsidiaries of the restrictive measures adopted by the EU.

In light of the recommendations issued by the National Cybersecurity Agency, Consob recommends that special attention should be paid to the assessment of cybersecurity-related risks. Finally, it points out the advisability of preparing adequate and effective organizational and technical safeguards aimed at mitigating this risk, including providing for the strengthening of information flows with supervisory bodies.

With reference to ICT and Cyber risks, on February 24, 2022, the CSIRT (the National Cybersecurity Agency's response team) called for raising attention and taking all measures to protect ICT assets, an alert addressed to Italian companies that have dealings with Ukrainian operators. On Feb. 28, 2022, the agency produced a new alert, this time addressed to all national digital infrastructure operators, urging them to adopt "a posture of maximum cyber defense": the offensive could in fact be directed against the coalition that has mobilized to support the attacked country. In the crosshairs, as far as Italy is concerned, are generally ministries, government agencies, and companies strategic to the national interest including

## Summary data

financial institutions. The Group's objective is to ensure the protection of clients by guaranteeing data security, declined in its characteristics of availability, confidentiality and integrity: in light of the Russian-Ukrainian crisis on EU financial markets, special attention has been paid to the assessment of related risks. In compliance with the measures provided for by current legislation, Fineco has undertaken a series of initiatives aimed at verifying its security posture and operational readiness, also making use of the indications and recommendations suggested by various national and international bodies. Without prejudice to the adoption from the outset of best practices in the field of security, both in terms of technical and organizational/procedural measures, in any case, additional mechanisms have been evaluated and introduced to deal with any impacts arising from the contingent situation.

On May 13, 2022, ESMA published Public Statement "ESMA32-63-1277" with the intent to promote transparency and consistent application at the European level of disclosure requirements in half-yearly financial reports, with particular reference to the Russian invasion of Ukraine. In particular, ESMA emphasizes the need for issuers to provide information that adequately reflects the current and, to the extent possible, anticipated impact of the Russian invasion of Ukraine on their financial position, performance, and cash flows, as well as the importance of providing information on the principal risks and uncertainties to which issuers are exposed. In addition, ESMA provides specific recommendations on the application of accounting standards in the context of half-yearly reporting, recalling the elements that may be impacted by the conflict and the aspects that issuers should consider in their evaluations and estimates, and on the information that issuers should provide in interim reports, as well as their consistency with half-yearly reporting.

### Risks, uncertainties and impacts of the Russia-Ukraine conflict and the COVID-19 pandemic

As described above, the Russian invasion in Ukraine and the COVID-19 pandemic did not have an impact on the Group's fundamentals, prospects, and financial position. Indeed, despite this uncertain and difficult forecasting environment, the Group's business model appears to be diversified and well-balanced. In fact, the Group can rely on a business model whose revenue sources are widely diversified, enabling it to cope with complex stress situations such as the current one. FinecoBank Group's revenues are based on three main components (banking, brokerage and investing), which tend to have uncorrelated trends during crisis phases.

The financial investments held by the Group, consisting mainly of government securities, are held by the Parent Company for long-term investment purposes and are accounted for in the Held to Collect portfolio measured at amortized cost; therefore, measurement at fair value does not have an impact on the consolidated income statement, consolidated shareholders' equity and consolidated own funds even in the absence of transitional provisions to sterilize the effect.

With reference to the financial instruments in the trading portfolio, it should be noted that the Group tends not to take risk positions; the positions in the proprietary portfolio are mainly represented by over-the-counter derivative contracts (CFDs and Knock Out Options) traded against customers and hedged managerially with listed equity securities and derivative contracts listed on regulated markets or entered into with institutional counterparties.

In the first half of 2022 there was no significant deterioration in the Group's loan portfolio of loans to ordinary customers. In fact, the latter consists mainly of loans granted by the Parent Company FinecoBank to retail customers, mainly backed by financial and real estate collateral, and disbursed in application of a careful and prudent lending policy. In the case of land loans, the average loan-to-value is, in fact, about 50 percent and the credit facilities granted involve the acquisition of guarantees with conservative margins. Most of the moratoriums granted by FinecoBank to support customers' financial needs related to the COVID-19 health emergency, which are of insignificant amount overall, have also resumed payments: moratoriums still outstanding as of June 30, 2022 amount to € 388 thousand. It should be noted that the moratoria, if there are no additional elements not strictly related to the moratorium under consideration, have been recognized in the accounts by applying the so-called modification accounting, in line with ESMA guidelines, as the contractual changes have been assessed as insubstantial. The Group conducted a qualitative assessment and considered that these support measures provide temporary relief to borrowers affected by the COVID-19 pandemic, without significantly affecting the economic value of the loan.

For the purpose of calculating expected losses, the Group uses specific models that leverage Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure At Default ("EAD") parameters that are conservatively estimated and to which specific adjustments are made in order to ensure full consistency with accounting regulations. Expected loss for institutional counterparties is calculated using risk parameters provided by the external provider Moody's Analytics; for retail counterparties, not having internal rating systems available, PD and LGD parameters are estimated by product type through models developed internally by the CRO Department (personal loans and mortgages) or proxies (other exposures). To implement the requirements of IFRS 9 accounting standard, the parameters are adjusted by forward-looking analyses through the development of specific scenarios, developed by external provider Moody's Analytics. The scenarios as of June 30, 2022 incorporate forward-looking information that considers different possible developments in the pandemic crisis and the military conflict in Ukraine. Specifically, the forward-looking component is determined by three macroeconomic scenarios, a base ("Baseline") scenario, a positive scenario, and an adverse scenario. The baseline scenario is weighted at 40 percent as it is considered the most likely to be realized; the positive and adverse scenarios, on the other hand, are weighted at 30 percent, and represent alternative best- and worst-case realizations, respectively. If the conflict results in a decrease in economic growth (Italy and Spain first and foremost), this scenario may lead to higher value adjustments for the exposures held, loans and debt securities, due to the update of the Forward Looking Information component of IFRS 9 accounting standard.

The Group's overall liquidity situation remained solid and stable, and during the first half of 2022 all liquidity adequacy indicators and analyses showed ample safety margins with respect to regulatory and internal limits. In addition, FinecoBank did not encounter any impediments or deteriorations in the conditions for access to markets and completion (volumes, prices) of related transactions (repurchase agreements, purchase and sale of securities).

## Summary data

With regard to derivative transactions, the increased volatility in financial markets has made cash movements related to margining more substantial and volatile, but without materially and negatively affecting the Bank's forecasting capacity and overall liquidity situation. Underlying this higher absorption must also be considered the increase in volumes traded by Fineco. As the Parent Company has invested part of its assets in "high-quality liquid assets" ("HQLA") debt securities issued by governments and supranational organisations, the value of the Group's assets could be impaired due to possible negative changes in fair value. This reduction, which has no impact on the income statement and shareholders' equity as the financial investments are recognised in the Held to Collect portfolio measured at amortised cost, could lead to a decrease in the liquidity potentially available from the refinancing of the HQLA portfolio - either through market transactions, such as repurchase agreements, or through refinancing transactions with the central bank - which, in any case, is largely consistent and constantly growing thanks to new investments. For further details on liquidity management and related risks, please refer to Part E - Information on risks and related hedging policies of these notes to the accounts.

With reference to the projections of future cash flows, assumptions and parameters used for the purposes of assessing the recoverability of the goodwill, brands and Fineco domains recorded in the financial statements, it should be noted that the parameters and information used are significantly affected by the macroeconomic market framework, which could experience unforeseeable changes in light of the uncertainties highlighted above. In this regard, it should be noted that as of June 30, 2022, the Bank has assessed that the changes reasonably estimated in the prospective data used as of December 31, 2021 are not such as to have a significant impact on the outcome, positive, of the impairment test carried out with reference to that date, the results of which confirmed the sustainability of the goodwill recorded in the financial statements, not showing in any of the scenarios assumed the need for impairment, confirming a value in use significantly higher than the book value. The sensitivity analyses carried out as of that date also show that the impairment test would reach a break-even level assuming changes currently not reasonably conceivable in the main parameters used in the valuation model. To this end, it is worth further mentioning that the Bank, unlike many issuers in the financial sector, has a market capitalization (amounting to € 6,968 million) higher than its book equity. For more details regarding the impairment test the related sensitivity analyses, please refer to Part B - Information on the Consolidated Balance Sheet - Section 10 - Intangible Assets of the Notes to the Consolidated Financial Statements as of December 31, 2021.

It should be noted that the Group, specifically the Parent Company, owns one property for functional use and one for investment use both located in Italy. In order to assess whether there are any indications that the assets may be impaired, also considering the current uncertain environment, the Bank has requested appraisals from independent third-party companies from which no evidence has emerged that would lead to the need for impairment under IAS 36.

With regard to actuarial gains/losses calculated in accordance with IAS 19R, related in particular to severance pay and FISC of financial advisors, there is no impact determined by the COVID-19 pandemic. In fact, the situation triggered by the COVID-19 pandemic had no impact on the Group's strategic direction, objectives and business model.

With reference to the application of IFRS 2 "Share-based payments," it should be noted that no change has been made to the estimated vesting of share-based payments.

There was also no impact on the recoverability of deferred tax assets. The amount of deferred tax assets recorded in the financial statements must be tested to verify that there is a likelihood of future taxable income that would allow their recovery. The test carried out at the close of the financial statements as of December 31, 2021, resulted in a positive outcome, revealing no uncertainty in this regard.

With regard to Fineco AM, it should be noted that it continuously monitors the situation created as a result of the COVID-19 pandemic from the Russia-Ukraine conflict and its potential impacts, also due to the restrictions issued by the various local governments, and believes its ability to continue normal operations is unaffected. Fineco AM's management remains confident in the strength of the portfolio and continues to evaluate opportunities that may arise in order to diversify the strategy of the managed sub-funds, despite the fact that the long-term impacts of COVID-19 from the Russia-Ukraine conflict on financial markets and the economy in general remain uncertain.

Despite the continuing COVID-19 pandemic, the Russian invasion of Ukraine, and rising inflation, it is believed that there are no uncertainties regarding the Group's ability to continue as a going concern in the foreseeable future, nor are there any uncertainties that would give rise to significant adjustments to book values within the next fiscal year. However, it cannot be ruled out that, by their nature, the assumptions reasonably made may not be confirmed in the actual future scenarios in which the Group will operate. In making this assessment, moreover, the Group has considered the key regulatory indicators, in terms of point data as of June 30, 2022, the related buffers against the minimum regulatory requirements, and the evolution of the same in the foreseeable future. From a forward-looking perspective, therefore, there is no substantial impact on the Group's strategic direction, objectives and business model, which remains innovative and well-diversified, nor are significant economic and capital impacts estimated. From a structural point of view, we are witnessing an acceleration toward solutions that will lead to a more modern and digitized world: the management of banking services by customers will be increasingly oriented toward the use of digital platforms, furthering the Group's business model, which has always been oriented in this direction.

# Summary data

## Events during the period

### **Significant Entity Classification**

The European Central Bank classified FinecoBank as a significant institution subject to direct supervision, effective January 1, 2022. The European Central Bank's decision is motivated by exceeding the size threshold of significance of € 30 billion, identified by Regulation 468/2014 (MVU).

### **Shareholders' Meeting**

On April 28, 2022, the FinecoBank Shareholders' Meeting was held and resolved favorably on all items on the agenda.

In the ordinary session, the resolutions concerned:

- approval of the Financial Statements for the year 2021 of FinecoBank S.p.A;
- appropriation of FinecoBank S.p.A.'s fiscal year 2021 result;
- Report on the remuneration policy 2022;
- Report on compensation paid in fiscal year 2021;
- 2022 Incentive System for Employees belonging to the Most Relevant Personnel;
- 2022 Incentive System for Financial Advisors identified as "Most Relevant Personnel";
- authorization to purchase and dispose of treasury shares to service the 2022 PFA System. Related and Consequential Resolutions.

At the extraordinary meeting, the resolutions concerned:

- the delegation to the Board of Directors, pursuant to Article 2443 of the Civil Code, of the power to resolve, also in several times and for a maximum period of five years from the date of the shareholders' meeting resolution, a free share capital increase, pursuant to Article 2349 of the Civil Code, for a maximum amount of Euro 120,976.02 (to be charged entirely to capital), with the issuance of up to 366,594 new ordinary FinecoBank shares with a par value of Euro 0.33 each, having the same characteristics as those in circulation and regular dividend entitlement, to be allotted to FinecoBank's Most Relevant Personnel 2022, for the purpose of executing the 2022 Incentive System; consequent amendments to the Articles of Association;
- the delegation to the Board of Directors, pursuant to Article 2443 of the Civil Code, of the power to resolve in 2027 a free share capital increase, pursuant to Article 2349 of the Civil Code, of up to a maximum of Euro 35,671.35 corresponding to a maximum number of 108,095 ordinary FinecoBank shares with a par value of Euro 0.33 each, having the same characteristics as those in circulation, regular dividend entitlement, to be allotted to FinecoBank's 2021 Most Relevant Personnel, for the purpose of completing the execution of the 2021 Incentive System; consequent amendments to the Articles of Association.

With reference to the allocation of FinecoBank S.p.A.'s 2021 fiscal year results, the Shareholders' Meeting approved the proposals formulated by the Board of Directors, which provide, among other things, for the distribution to the Shareholders of a unit dividend of Euro 0.39 per share, which was put up for payment, in accordance with the applicable laws and regulations, on May 25, 2022 with an "ex-dividend" date of May 23, 2022. Pursuant to Article 83-terdecies of Legislative Decree No. 58 of February 24, 1998 ("TUF"), those who were shareholders on the basis of the evidence of the accounts relating to the end of the accounting day of May 24, 2022 were, therefore, entitled to receive the dividend.

### **Capital increase of Hi-MTF Sim S.p.A.**

On May 10, 2022 the Shareholder's Meeting of Hi-Mtf SIM S.p.A. approved the capital increase in the total amount of € 3.5 million, corresponding to a contribution of € 0.7 million for each shareholder. FinecoBank subscribed to its own capital increase during May 2022, keeping its shareholding unchanged at 20%.



# Summary data

## Consolidated Own funds and capital ratios

	Data as at	
	06/30/2022	12/31/2021
Common Equity Tier 1 Capital (€ thousand)	928,735	868,214
Total Own Funds (€ thousand)	1,428,735	1,368,214
Total risk-weighted assets (€ thousand)	4,851,129	4,617,709
Ratio - Common Equity Tier 1 Capital	19.14%	18.80%
Ratio - Tier 1 Capital	29.45%	29.63%
Ratio - Total Own Funds	29.45%	29.63%

	Data as at	
	06/30/2022	12/31/2021
Tier 1 Capital (€ thousand)	1,428,735	1,368,214
Exposure for leverage (€ thousand)	37,385,994	34,045,310
Leverage ratio	3.82%	4.02%

The Group's prudential requirements as at 30 June 2022 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 amending their content, in particular Directive (EU) 878/2019 (CRD V), Regulation (EU) 876/2019 (CRR II) and Regulation (EU) 873/2020 of the European Parliament and of the Council (CRR Quick-fix), which transpose into the European Union the standards defined by the Basel Committee on Banking Supervision (Basel III framework), collected and implemented by the Bank of Italy through Circular No. 285 of 17 December 2013 "Supervisory Provisions for Banks" and subsequent updates.

As at 30 June 2022 the Consolidated Own funds amounted to € 1,428.7 million, including estimated retained earnings calculated considering foreseeable dividends of € 155.7 million and foreseeable expenses of € 1.5 million, represented by coupon accruals, net of related taxation, gained on the Additional Tier 1 financial instruments issued by FincoBank, assuming that the conditions provided for in Art. 26 (2), of EU Regulation 575/2013 (CRR) are met.

The increase in Risk-Weighted Assets in first half 2022 is mainly driven by credit risk, due to the growth of the business and, in particular, to lending to customers.

It should be noted that as of June 30, 2022, the Group has not availed itself of the option to apply the temporary treatments still in force under Regulation (EU) 2020/873 (so-called "Quick-fix" CRR) of the EU Parliament and Council published on June 26, 2020 amending Regulation (EU) 575/2013 ("CRR") and Regulation (EU) 876/2019 ("CRR II"), including in particular:

- the introduction of a transitional treatment period, from January 1, 2020 to December 31, 2022, when institutions may exclude from the calculation of their primary tier 1 capital elements the amount of unrealized gains and losses accumulated as of December 31, 2019 on debt instruments measured at fair value recognized in other comprehensive income, corresponding to exposures to central governments, regional governments or local authorities as defined in Article 115(2) CRR, and to public sector entities as defined in Article 116(4) CRR, excluding impaired financial assets ("Temporary treatment of unrealized gains and losses measured at fair value recognized in other comprehensive income in light of the COVID-19 pandemic");
- the extension until December 31, 2024 of the transitional regime that allows to reduce the potential impact on CET1 from the increase in expected credit losses provisions calculated according to the IFRS 9 impairment model, through the gradual inclusion in CET1 ("Temporary treatment to mitigate the impact of the introduction of IFRS 9 on own funds").

## Summary data

With reference to the capital requirements applicable to FinecoBank, it should be noted that, further to the Supervisory Review and Evaluation Process (SREP), on 21 March 2022 the Supervisory Authority communicated the following Group capital requirements:

- 8.12% of CET1 ratio, including the Pillar II requirement (P2R) equal to 1.12%
- 10.00% of Tier1 ratio, including the Pillar II requirement (P2R) equal to 1.50%
- 12.50% of Total Capital ratio, including the Pillar II requirement (P2R) equal to 2.00%.

The following is a summary of the capital requirements and reserves for the Group.

Requirements	CET1	T1	TOTAL CAPITAL
A) Pillar 1 requirements	4.500%	6.000%	8.000%
B) Pillar 2 requirements	1.120%	1.500%	2.000%
<b>C) TSCR (A+B)</b>	<b>5.620%</b>	<b>7.500%</b>	<b>10.000%</b>
D) Combined Buffer requirement, of which:	2.504%	2.504%	2.504%
1. Capital Conservation Buffer (CCB)	2.500%	2.500%	2.500%
2. Institution-specific Countercyclical Capital Buffer (CCyB)	0.004%	0.004%	0.004%
<b>E) Overall Capital Requirement (C+D)</b>	<b>8.124%</b>	<b>10.004%</b>	<b>12.504%</b>

As at 30 June 2022, Group ratios are compliant with all the above requirements.

Finally, it should be noted that, at the end of the administrative process related to the determination of the Minimum Requirements of Own Funds and Eligible Liabilities (MREL), in August 2021 FinecoBank has received from Bank of Italy, in agreement with the SRB, the Resolution decision. The Bank shall comply with MREL on a consolidated basis, starting from 1<sup>st</sup> of January 2024, with an intermediate binding target from 1<sup>st</sup> of January 2022. In particular, FinecoBank must comply with a MREL requirement at a level of 18.33% of TREA (Total Risk Exposure Amount) – 20.83% including the Combined Buffer Requirement – and of 5.18% of LRE (Leverage Ratio Exposure), with an intermediate target at 4.11% from 1<sup>st</sup> of January 2022. In order to comply with the requirements and the calculation of other eligible liabilities issued by Fineco, there is no subordination requirement in the issuance of eligible MREL instruments (e.g. Senior unsecured).

For further details on the composition of own funds, changes during the period with reference to Risk-weighted Assets and Exposure for leverage purposes and the measures introduced by the Supervisory Authorities in the context of the COVID-19 pandemic, please refer to the information contained in the document "Public disclosure of the FinecoBank Group - Pillar III as at 30 June 2022" published on the Company's website [www.finecobank.com](http://www.finecobank.com).

# Business performance

## Performance of total financial assets

Despite a particularly complex market phase, the solidity of the Group's growth path enabled it to achieve extremely robust funding results in the first half of 2022. This is a result that confirms, on the one hand, the effectiveness of a business model capable of coping with difficult market phases, and on the other, an ever-increasing propensity to invest on the part of a particularly evolved clientele. Indeed, customers appreciate the support of financial advisors for qualified advice, but also the efficiency of an integrated transactional platform.

As at June 30, 2022 Assets under administration (Assets under Management-AUM plus Assets under Custody-AUC) amounted to € 102,804 million down to 4.7% compared to December 31, 2021, due to a negative market effect of - € 10,747 million. Total net inflows recorded in the first half of 2022 were € 5,636 million, in line with the record result recorded in the first half of 2021, albeit with a different composition. The quality of inflows was confirmed thanks to the continuous refinement of the offer considering the difficult market environment.

The balance of indirect customer deposits (Assets Under Management-AUM and Assets Under Custody-AUC) amounted to € 72,286 million, down from € 78,420 million of December 31, 2021, due to the above-mentioned correction in the markets since the beginning of the year. Net inflows for the period amounted to € 4,613 million.

The balance of direct customer deposits registered a growth of 3.5% compared to the end of the previous year, reaching € 30,518 million. The growth in direct deposits is driven by the high appreciation degree of the quality of services offered by the Group – indeed the preponderant amount of direct deposits is of a "transactional" nature, supporting the overall operations of customers – and by the particularly complex market phase, which has led to a slowdown in investment operations, creating the conditions for future redevelopment in a market phase characterized by greater stability.

The table below 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. The overall balance, equal to € 102,804 million, shows a decrease of 4.7% compared to December 31, 2021, due to a negative market effect amounting to -€ 10,747 million and despite a positive net inflows of € 5,636 million.

## Total financial assets

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	06/30/2022	Comp%	12/31/2021	Comp%	Absolute	%
Current accounts and demand deposits	30,518,392	29.7%	29,495,291	27.3%	1,023,101	3.5%
Time deposits and reverse repos	-	0.0%	1	0.0%	(1)	-100.0%
<b>DIRECT DEPOSITS</b>	<b>30,518,392</b>	<b>29.7%</b>	<b>29,495,292</b>	<b>27.3%</b>	<b>1,023,100</b>	<b>3.5%</b>
Segregated accounts	308,096	0.3%	329,710	0.3%	(21,614)	-6.6%
UCITS and other investment funds	33,182,079	32.3%	38,052,645	35.3%	(4,870,566)	-12.8%
Insurance products	15,420,884	15.0%	14,962,876	13.9%	458,008	3.1%
Asset under custody and Direct deposits under advisory	1,877,505	1.8%	2,104,995	2.0%	(227,490)	-10.8%
<b>ASSETS UNDER MANAGEMENT BALANCE</b>	<b>50,788,564</b>	<b>49.4%</b>	<b>55,450,226</b>	<b>51.4%</b>	<b>(4,661,662)</b>	<b>-8.4%</b>
Government securities, bonds and stocks	21,497,301	20.9%	22,969,895	21.3%	(1,472,594)	-6.4%
<b>ASSETS UNDER CUSTODY</b>	<b>21,497,301</b>	<b>20.9%</b>	<b>22,969,895</b>	<b>21.3%</b>	<b>(1,472,594)</b>	<b>-6.4%</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>102,804,257</b>	<b>100.0%</b>	<b>107,915,413</b>	<b>100.0%</b>	<b>(5,111,156)</b>	<b>-4.7%</b>
of which Guided products & services	38,841,952	37.8%	42,304,154	39.2%	(3,462,202)	-8.2%

# Business performance

The table below shows the figures for net direct sales, assets under management and assets under administration during the first half 2022 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 € 5,636 million, in line with the record result recorded in the first half 2021, even if with a different composition.

## Net sales

(Amounts in € thousand)

	1st Half 2022	Comp %	1st Half 2021	Comp %	Changes	
					Absolute	%
Current accounts and demand deposits	1,023,100	18.2%	258,790	4.5%	764,310	295.3%
Time deposits and reverse repos	(1)	0.0%	(180)	0.0%	179	-99.4%
<b>DIRECT DEPOSITS</b>	<b>1,023,099</b>	<b>18.2%</b>	<b>258,610</b>	<b>4.5%</b>	<b>764,489</b>	<b>295.6%</b>
Segregated accounts	18,703	0.3%	57,622	1.0%	(38,919)	-67.5%
UCITS and other investment funds	543,699	9.6%	2,605,525	45.0%	(2,061,826)	-79.1%
Insurance products	1,085,383	19.3%	1,305,509	22.6%	(220,126)	-16.9%
Asset under custody and Direct deposits under advisory	53,910	1.0%	78,554	1.4%	(24,644)	-31.4%
<b>ASSETS UNDER MANAGEMENT</b>	<b>1,701,695</b>	<b>30.2%</b>	<b>4,047,210</b>	<b>69.9%</b>	<b>(2,345,515)</b>	<b>-58.0%</b>
Government securities, bonds and stocks	2,911,398	51.7%	1,481,067	25.6%	1,430,331	96.6%
<b>ASSETS UNDER ADMINISTRATION</b>	<b>2,911,398</b>	<b>51.7%</b>	<b>1,481,067</b>	<b>25.6%</b>	<b>1,430,331</b>	<b>96.6%</b>
<b>NET SALES</b>	<b>5,636,192</b>	<b>100.0%</b>	<b>5,786,887</b>	<b>100.0%</b>	<b>(150,695)</b>	<b>-2.6%</b>
of which Guided products & services	1,624,961	28.8%	3,729,928	64.5%	(2,104,967)	-56.4%

# Business performance

## Performance of main income statement aggregates

**Revenues** amounted to € 464 million, registering a 15% increase compared to the €403.5 million recorded in the same period of 2021, mainly thanks to the contribution of Financial margin, Net fee and commission income and Net trading, hedging and fair value income.

**Financial margin** shows an increase of 19.3% compared to the first half of previous year (+ € 28.5 million) thanks to Profits from Treasury, amounting to € 49.4 million compared to € 23.6 million of the first half 2021, and the interest margin increased by 2.1% (+€2.6 million) thanks to growth in the portfolio of financial investments and loans to customers.

**Net fee and commission income** showed an increase of €18.2 million compared to the previous year, mainly attributable to commissions generated by Investing (+ € 27.1 million) thanks to the greater contribution of Fineco AM, and also to volume growth and higher net margin on AUM. During the first half of 2022, Fineco AM generated net commissions of € 65.8 million. Also of note is the growth in commissions generated by Banking (+ € 4.2 million), while net commissions related to Brokerage recorded a decrease (- € 12.8 million) due to a different market environment in terms of volumes and volatility, while still maintaining a high value thanks to the increase in the customer base operating on the Bank's platform and the review of the offering.

**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, which shows an increase of € 5.8 million compared to the same period of previous year. The item also includes the ineffectiveness component of hedging transactions, amounting to € 11.7 million (€ 1.5 million in the first half of 2021), determined by the application of different curves for the fair value valuation of hedging derivative contracts and hedged items under fair value hedge transactions.

**Operating costs** highlight an increased by € 9.9 million compared to the first half of previous year (+ € 4.7 million for "Staff expenses", + € 4.7 million for "Other administrative expenses net of Recovery of expenses" and + € 0.5 million for "Impairment/write-backs on intangible and tangible assets"). The 7.9% increase in operating costs is mainly determined by expenses closely linked to the growth of the business (assets, volumes, customers and structure), certified by a cost/income ratio of 29.3% (31.3% at 30 June 2021) confirming the Group's strong operating leverage and widespread corporate culture of cost management.

**Net write-downs of loans and provisions for guarantees and commitments** in first half 2022 amounted to - € 1.2 million (- € 1.7 million in first half 2021).

**Other charges and provisions** amounted to € 12.5 million, down to 10.9% on first half 2021 due to lower net provisions for litigation. In addition, in first half 2022 the ordinary annual contribution required for the year 2022, in accordance with Directive 2014/59/EU (Single Resolution Fund), was recognised in the amount of € 7.6 million (€ 5.8 million for first half 2021). It should be noted that during the first half 2021 Bank of Italy recalled from the banking system an additional contribution of € 1.9 million to the National Resolution Fund (Article 1, paragraph 848, of Law no. 208/2015).

**Net income from investments** stood at - € 0.8 million, showing a decrease of € 2 million compared to the first half 2021. It should be noted that in the first half 2021 the updated macroeconomic scenarios led to a positive impact of € 2.3 million.

**Profit before tax from continuing operations** amounted to € 315.5 million, up to 19.3% compared to the same period of previous year, mainly thanks to higher Financial margin (+ € 28.5 million), Net fee and commission income (+ € 18.2 million), Net trading, hedging and fair value income (+ € 14.3 million) partially compensated by the growth of Operating costs (+ € 9.9 million). Excluding the non-recurring items for the first half 2022 mentioned before<sup>7</sup>, the Profit before tax from continuing operations should be € 313.8 million, up to 19.4% compared to first half 2021 net of non-recurring items<sup>8</sup>.

**Net profit for the period** amounted to € 222.4 million, showing an increase of 2.6% compared to € 216.7 million of the first half 2021. Excluding the non-recurring items of the first half 2022 mentioned before<sup>9</sup>, the Net profit for the year should be € 222.6 million, up to 20.5% compared to the same period of 2021 net of non-recurring items<sup>10</sup>.

<sup>7</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 -€ 0.3 million (gross of the tax effect).

<sup>8</sup> No significant fair value changes were recognized in the first half of 2021 to the equity securities exposure to the Voluntary Scheme established by the Interbank Fund.

<sup>9</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 -€ 0.2 million (gross of the tax effect).

<sup>10</sup> Tax benefit arising from the tax realignment of goodwill carried out by FinecoBank, as provided for in Article 110 of Legislative Decree 104 of 2020, in the amount of € 32 million.

# Business performance

## Performance of main balance sheet aggregates

**Cash and cash balances**, amounting to € 1,542.4 million, consisted mainly of the liquidity deposited in the HAM (Home Accounting Model) account, used to manage short-term liquidity, and TIPS (Target Instant Payment Settlement) with the Bank of Italy, for a total amount of € 1,252.2 million, as well as liquidity deposited on current accounts with credit institutions for the settlement of payment transactions, for the settlement of securities transactions, for the management of the liquidity of UK customers and for the management of Fineco AM's liquidity, for an amount of € 290.1 million. There is an increase of € 78.2 million, compared to December 31, 2021, mainly attributable to the increase in cash held at other banking institutions.

**Loans and receivables with banks** came to € 400.2 million with an increase of € 20.4 million compared to December 31, 2021 mainly due to minimum reserve at Bank of Italy on deposits with banks.

**Loans and receivables with customers** came to € 6,310.8 million with an increase of € 309.2 million compared to December 31, 2021 thanks to the increase in lending activity. During the first half 2022, € 142 million in personal loans and € 259 million in mortgages were granted and € 679 million in current account overdrafts were arranged, with an increase in exposures in current account of € 157.7 million; this has resulted an overall 5.9% aggregate increase in loans to ordinary customers compared to December 31, 2021. Impaired loans net of impairment losses totaled € 4.3 million (€ 4.4 million as at December 31, 2021), with a coverage ratio of 82.6%. The ratio between impaired loans and total loans to ordinary customers was confirmed equal to 0.07% (0.08% as at December 31, 2021).

**Financial investments** came to € 25,294.6 million, up € 734.2 million compared to December 31, 2021 and include the negative valuation of fixed-rate securities specifically hedged against interest rate risk, attributable to the growth of the curve based on the Euribor rate used for the fair value measurement of hedged items with reference to the hedged risk. The carrying amount of the debt securities issued by the UniCredit S.p.A. amount to € 2,376.5 million, down compared to € 3,856.4 million recorded as at December 31, 2021 due to the repayment of securities maturing during the first half 2022. The purchases made by the Group during the first half 2022 mainly concerned securities issued by sovereign States (mainly Italy, Spain and France).

**Hedges recognised as assets** in the balance sheet amounted to € 948.8 million, an increase of € 822.9 million compared to 31 December 2021, and include the positive fair value valuation of hedging derivatives and the value adjustment of assets subject to generic hedging, represented by fixed-rate mortgages. **Hedges recognised as liabilities** in the balance sheet amounted to € 2.6 million, showing a decrease of € 62.7 million compared to 31 December 2021, and include the negative fair value measurement of hedging derivatives and the value adjustment of liabilities subject to generic hedging, represented by direct funding from customers. The positive change from 31 December 2021 is attributable to the increase in the fair value of derivative contracts hedging securities and mortgages, which provide for the payment of the fixed rate and the collection of the indexed rate, as a result of the increase in the Euribor-based curve, partially offset by the decrease in the fair value of derivative contracts to hedge direct funding from customers, which, on the contrary, provide for the payment of the indexed rate and the collection of the fixed rate. The valuation of the hedged items, as a result, evolved in the opposite direction, recording a negative change in assets subject to generic hedging represented by mortgages and a positive change in the liabilities subject to generic hedging. It should be noted that the negative change recorded by securities specifically hedged, is shown in Financial investments item, as described above.

**Tax credits acquired** include the carrying amount of tax credits purchased during the first half 2022 financial year under Decree-Law 34/2020, for a carrying amount of € 827.2, up from € 508.8 million outstanding as of December 31, 2021 due to purchases made in the first half of 2022. They include both tax credits purchased as a result of assignment by direct beneficiaries and purchased as a result of assignment by previous purchasers.

**Deposits from banks** totaled € 2,333.3 million, showing an increase of € 1,108.1 million compared to December 31, 2021, mainly attributable to the increase in variation margins received for derivative transactions (+ € 1,147.4 million), as a result of the positive change in fair value recorded by hedging derivative contracts, as described above.

**Deposits from customers** came to € 30,827.6 million, showing an increase of € 979.9 million compared to December 31, 2021, due to the growth in direct deposits on current accounts from customers (+ € 1,005 million).

**Debt securities in issue**, amounting to € 498.8 million, exclusively include the Senior Preferred Bond issued by FinecoBank in October 2021.

**Shareholders' equity** amounted to € 1,709.3 million, showing a decrease of € 17.5 million compared to December 31, 2021, mainly attributable to the distribution of dividends resolved by the Shareholders' Meeting of April 28, 2022, for a total amount of € 237.9 million, partially offset by the profit for the period, amounting to € 222.4 million. In addition, it should be noted that during the first half of 2022, coupons paid on AT1 instruments issued by FinecoBank were recognized, the amount of which, net of the related taxation, resulted in a reduction in shareholders' equity of € 9.9 million; treasury shares were purchased in connection with the "2021 PFA Incentive System" in favor of financial advisors identified as "Most Relevant Personnel," which resulted in a reduction in shareholders' equity of € 0.8 million; changes in the Valuation Reserve were recognized for a net positive amount of € 5.7 million; the Reserve related to Equity Settled plans was increased by € 3.1 million as a result of the recognition, during the vesting period of the instruments, of the economic and equity effects, of share-based payment agreements and settled with FinecoBank ordinary shares, in accordance with International Financial Reporting Standard IFRS 2.

# Business performance

## Communications and external relations

In the first half of 2022, global inflation along with rising interest rates has been one of the main topics analyzed by media. Fineco has been a protagonist of these insights on several occasions, through interviews with the bank's key figures.

The focus on proper planning has been one of the main themes of media relation activity, evidencing the entire Group's vocation for financial education, starting from advisory training projects (with dedicated *educational activities* and *webinars*) to the dissemination of news dedicated to this theme, especially through the *info/educational* website <https://www.fineconomy.it>.

Campaigns to support the advisory and investment segment have continued steadily, highlighting the need to expand diversification in global markets partly through Fineco's new solutions that include passive instruments.

FinecoBank's communications activities in UK focused on investors behavior analyses in UK market as well, getting closer to *brokerage* channel with a long-term approach, rather than short-term.

The main solidarity initiatives undertaken by FinecoBank Group concern support for associations present in Ukrainian territory and their effort, especially in caring the weakest segment of the population. The first project "Insieme a Soleterre per l'emergenza Ucraina" aims to finance, with Bank's participation and customers' donations, assistance to underage cancer patients in a war-torn territory. The second initiative launched with AiBi (Associazione Italiana Amici dei Bambini) concerned the care and support of families and children victim of the war in Ukraine and the assistance to refugees arriving in Moldavia. The Bank doubled the donations made by its customers for both projects.

As concerns Reputation Management program, Fineco remain stable in the first half of 2022 by gaining about 1 point in terms of reputation compared to the fourth quarter of 2021. The Reputation Institute<sup>11</sup> runs monthly measurement of corporate reputation through a representative sample of Italian population (General Public) in a challenging context, due to recent events and changes in the macroeconomic scenarios.

### Main environmental protection initiatives

The Group has confirmed its important collaboration with FAI (Fondo Ambiente Italiano). FinecoBank has been a Corporate Golden Donor of FAI since 2017, a qualification that rewards the companies that are most active in the field of culture and the protection of the territory's artistic heritage. In particular, in 2022 Fineco will be the main sponsor of the "Giornate FAI di Primavera" (FAI Spring Days) and the "Giornate FAI di Autunno" (FAI Autumn Days), the biggest street festivals dedicated to Italy's cultural heritage and landscape, with 600 openings in over 300 Italian cities.

The project launched by the Municipality of Milan, "Care for and adopt public green areas", continues with a collaboration for the redevelopment of urban green areas in the Lombard capital, in the area between Corso Como, Corso Garibaldi and Largo La Foppa. The objective of the sponsorship project, which will last three years, is to contribute to the conservation and improvement of existing green areas, for a total of 516 new plantings.

As regards support for the local area, a new three-year project was launched to redevelop the area in the NOLO district, where the Bank's offices are located. The project is part of the "Tunnel Boulevard", a wide-ranging regeneration operation, aimed at transforming and redefining the entire route of Via Pontano (linking Via Padova and Viale Monza) with participatory social design, public art and urban art activities, involving five railway tunnels, starting with the one in question.

Finally, for the second year in a row, Fineco is a Partner of TEDxMilano by supporting Micro&macro, an event dedicated to discovering how the actions of individuals can change and improve the context in which we live.

## Sustainability

During the first half of 2022, Fineco continued its path of Sustainability in the various areas outlined in the ESG Plan 2020-2023.

In particular, Fineco AM updated its Responsible Investment Policy, which describes the policies for responsible screening and selection of funds, and monitoring of the portfolio's ESG rating. In addition, the Group's asset management company has kept the SFDR categorisation of its funds up-to-date and, at the end of June 2022, around 35% of Fineco AM's funds promote, among other characteristics, environmental or social characteristics, or a combination of these, or have a sustainable investment objective. At Group level, as of the same date, 58% of the funds offered had the same characteristics.

In the area of responsible finance, for the first time the Bank negotiated a collateral switch transaction (collateralised securities lending) with ESG criteria. Compared to traditional transactions, the transaction envisages the payment of an extra fee related to Fineco's achievement of the following sustainability targets: (i) 100% of new ESG-rated funds placed on the Italian platform between 31 December 2021 and 31 December 2023 (ii) S&P Corporate Sustainability Assessment score greater than 67 out of 100. When the transaction expires, set for April 2024, the extra fee will be paid to

<sup>11</sup> The Reputation Institute ("RI") is the world's leading reputation consultancy and advisory firm. RI enables many of the world's leading companies to make more confident business decisions that build and protect reputation capital, analyze risk and sustainability arguments, and drive competitive advantage. RI's most important management tool is the RepTrak® model for analyzing the reputation of companies and institutions - best known through the Global RepTrak® 100, the world's largest and most comprehensive study of corporate reputation.

# Business performance

Fineco by the counterparty and retroceded by Fineco to Save the Children if the Bank reaches the agreed targets, while it will be retroceded directly by the counterparty to Save the Children if Fineco does not reach the targets.

In the context of the external initiatives to which the Group adheres, since March 2022 Fineco AM has subscribed to the 10 Principles of the UN Global Compact, deciding to align its strategies and activities with the universal principles on human rights, labour, environment and anti-corruption. Furthermore, in order to follow up on the commitments deriving from the signing of the Principles for Responsible Banking, in June 2022 FinecoBank published its first "Reporting and Self-Assessment" document, i.e. a high-level response on how the Bank is implementing its underlying commitments by formulating a summary self-assessment on the fulfilment of its objectives.

Raising sustainability awareness among its stakeholders is a key activity in Fineco's ESG journey, so a number of initiatives in this direction were carried out in the first half of 2022. In March 2022, Fineco organised two public webinars dedicated to the topic "investment and sustainability", on the occasion of the UN International Days. Specifically, the webinars were held on (i) 3rd March, the meeting "Sustainability: the future also depends on our investments", for World Nature and Biodiversity Day; (ii) 22nd March, the meeting "The future of blue gold: how to invest in water", for World Oceans Day. In May 2022, an Induction session was also organised for the Board of Directors entitled 'The Evolution of Sustainability in the Bank's Management, in Relation to Competitors and Regulatory Changes', which saw the direct involvement and participation of various corporate functions, such as the Chief Financial Officer and Chief Risk Officer Departments, the Sustainability structure and the Compliance and Global Business Departments.

With regard to social aspects, at the beginning of 2022 Fineco AM financed the AlxGirls project, i.e. a free weekly campus dedicated to girls finishing the fourth year of high school to encourage their enrolment in degree courses in technological disciplines. The initiative represents the first example in Italy.

Equally positive is the feedback from ESG rating agencies as reported in "Summary Data" chapter.

At the end of June 2022, the Bank was also included in Euronext's MIB ESG Index, FTSE4Good, Bloomberg Gender Equality Index (GEI) 2022, Standard Ethics Italian Banks Index, Standard Ethics Italian Index, Nasdaq CRD Global Sustainability Index and S&P Global 1200 ESG Index.

## Awards

Below are the awards given to Fineco in the first half of 2022:

- **MF ESG Awards:** for the third year in a row, Fineco wins the sustainability award as part of Milano Finanza's "Investment Manager & Advisor Awards." The "Investment Manager & Advisor Awards" again this year honored excellence in the Italian asset management industry, capable of achieving prestigious results even in an economic context characterized by deep uncertainty;
- **World's best Banks – Forbes Ranking 2022:** the US magazine, Forbes, place Fineco at first place among Italian banks in the "world's best banks" ranking. Fineco is among the best banks in the world (the first of Italian banks), according to Forbes' 2022 ranking. The report examines an overall customer satisfaction index, obtained through metrics such as: trust, term and conditions, digital services, customers service and financial advice;
- **Fineco among the 30 most valuable Italian brands:** Kantar's BrandZ Top 30 Italian brands" place Fineco (which entered the ranking last year) in 29<sup>th</sup> position with a value growth of 15% over 2021;
- **Sustainability Leader 2022:** title conferred to Fineco by Statista/ Forbes/ Il Sole 24 Ore among 200 companies in Italy that stand out for truly sustainability-oriented choices.



# FinecoBank shares

## Share information

As of June 30<sup>th</sup> 2022, the price of the share was equal to € 11.42, down compared to the last trading day of 2021 equal to € 15.44, due to the market correction since the beginning of the year. The average value recorded by the share in the first half of 2022 was € 13.76.

The company's market capitalization equaled to € 6,968 million as of June 30<sup>th</sup>, 2022.

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	1st half 2021	Year 2021	1st half 2022
<b>Official price of ordinary shares (€)</b>										
- maximum	4.750	7.805	7.400	8.735	11.890	12.385	13.425	15.185	17.305	16.180
- minimum	3.808	4.438	4.622	5.345	7.956	8.514	6.918	12.875	12.875	10.335
- average	4.173	6.479	5.980	6.914	9.823	10.234	11.329	14.127	14.947	13.764
- period-end	4.668	7.625	5.330	8.535	8.778	10.690	13.400	14.700	15.435	11.420
<b>Number of shares (million)</b>										
- outstanding at period end	606.3	606.5	606.8	607.7	608.4	608.9	609.6	609.9	609.9	610.1

# 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, also including the asset management activity carried out by the subsidiary Fineco AM.

Given the Bank's specific business model that provides for a high level of vertical integration among its different activities, these main business segments are interdependent. Indeed, the Group offers its services (banking and investment services) through a network of personal financial advisors and online and mobile channels that operate in a coordinated and integrated manner. The completeness of the services offered makes it possible to offer as the customer's only point of reference (one stop solution) for banking operations and investment needs. This highly integrated and customer-based strategy has the consequence that the revenues and margins related to the different products/services (investing, banking and brokerage) are, therefore, deeply interdependent.

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

## Banking

### Banking and Payment cards

During first half of 2022, Fineco has continued the product and service growth and the digital process optimization, in order to make them more suitable to customer needs.

In Banking field activities were focused on current accounts liquidity management in order to provide good saving allocations to customers. Starting from April 2022, in this perspective, the Third Bank Deposit Account distribution platform has been supplemented with the "Deposito Vincolato Progetto" product from Banca Progetto, designed especially for Fineco's customers.

The improvements of the following payment services are shown below:

- the migration of transfers, MAV and RAV, F24, postal slips, CBILL and Riba, to a new technical infrastructure that improved customers performance and usability;
- the addition of an option to register the real payer on all payments over € 5,000, if different from the person that executes the payment;
- the digitization of "payment service transfer" request to shift utilities, recurring transfers and liquidity from another current account to Fineco account;
- the digitization of closing account request, starting from April 2022, with customer's digital signature;
- the introduction of the virtual version of the debit (Visa Debit) and reloadable (Visa and Mastercard) card, which can be applied after current account opening at the moment; in this way plastic card will not be produced, therefore it can be used by *wallet* payments or entering the card details on purchasing websites/apps;
- the raising of contactless limits to € 50 for payment transactions made in Italy;
- the rate condition applied to the Revolving option (annual nominal interest rate – APR) of Classic credit cards were aligned with those of Extra Card;
- the introduction of a process that enable the *Carta Extra* holder to increase the installments (from a choice of two predefined amounts);
- for UK segment, the strengthened of Anti-Money-Laundering *new-customer* identification process by the introduction of new controls for certification.

# Results achieved in the main areas of activity

The table below shows credit card spending for the first half of 2022 compared to the same period last year and the amounts as at 30 June 2022 compared to 31 December 2021. Credit card spending shows an increase of 20.3% compared to the first half of 2021.

(Amounts in € thousand)

Credit Products	Spending		Amounts as at		Spending		Amounts as at		Changes	
	1st Half		1st Half		1st Half		12/31/2021		Changes	
	2022	06/30/2022	2021	12/31/2021	Spending		Carrying amount			
					Amounts	%	Amounts	%		
Revolving credit cards	18,643	34,226	17,959	35,256	684	3.8%	(1,030)	-2.9%		
Credit cards full payment of balance	1,491,299	282,733	1,237,174	290,545	254,125	20.5%	(7,812)	-2.7%		
<b>Total</b>	<b>1,509,942</b>	<b>316,959</b>	<b>1,255,133</b>	<b>325,801</b>	<b>254,809</b>	<b>20.3%</b>	<b>(8,842)</b>	<b>-2.7%</b>		

## Mortgages, credit facilities and personal loans

With regard to lending activities, the optimisation of the current product portfolio continued in the first half of 2022, in particular:

- the increase to € 20,000 of the maximum amount that can be applied for the Personal Loan product, if the minimum requirements are met;
- safeguards have been improved on Mortgages Loans to ensure the “cooling-off period” aimed at ensuring the customer’s protection and products transparency;
- the introduction of the Pledge Overdraft product dedicated to legal persons; this is the first credit product designed for this target of customers.

The effort in *marketing* continued regarding the personal loan product, recurring promotional campaigns aimed at accelerating subscriptions have been carried out.

The following table shows the disbursements of the first half of 2022 compared to the amounts of the same period of the previous year and the balances of credit products as at June 30, 2022 compared to the same date of previous year. Disbursements show a decrease of 26.9% attributable to the reduction 50.4% in loan disbursements and a 17.4% reduction in overdraft facilities.

(Amounts in € thousand)

Credit Products	Disbursements		Amounts as at		Disbursements		Amounts as at		Changes	
	1st Half		1st Half		1st Half		12/31/2021		Changes	
	2022	06/30/2022	2021	12/31/2021	Disbursements		Carrying Amount			
					Amount	%	Amount	%		
Personal loans and unsecured loans	142,216	530,941	133,635	499,313	8,581	6.4%	31,628	6.3%		
Current account credit facilities*	679,094	2,267,388	822,108	2,109,642	(143,014)	-17.4%	157,746	7.5%		
Mortgages	258,579	2,617,020	521,424	2,479,355	(262,845)	-50.4%	137,665	5.6%		
<b>Total</b>	<b>1,079,889</b>	<b>5,415,349</b>	<b>1,477,167</b>	<b>5,088,310</b>	<b>(397,278)</b>	<b>-26.9%</b>	<b>327,039</b>	<b>6.4%</b>		

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

Furthermore, note that the credit lines guaranteed by securities granted in the first half 2022 totaled € 669 million (€ 663 million related to “Credit Lombard” product, € 5.1 million related to credit facilities secured by pledged and € 0.9 million related to credit facilities with mandate for sale), equals to 98.5% of total amount of credit lines granted.

# Results achieved in the main areas of activity

## Brokerage

Since the beginning of 2022, financial markets have been experiencing a complex period and the stock exchanges of all Western countries are in sharp decline. After two years of uninterrupted and unforeseen growth, which was not stopped even by the COVID-19 pandemic, in the first half of the year the markets began to record huge losses. The markets, taking into account the risk of a possible recession also due to the war in Ukraine, adapted to a new scenario characterized by inflation and rising rates, in search of a different balance.

As for Fineco, the bank has been experiencing strong inflows from customers in the first half of 2022, who currently maintain a wait-and-see approach remaining interested in investing in the markets. Due to a different market environment in terms of volumes and volatility, Brokerage revenues decreased by 6.9% to € 107.1 million in the first half of 2022. FinecoBank is confirmed, however, in 1<sup>st</sup> place in the Assosim ranking of brokered volumes on the Italian stock market of Borsa Italiana, with 25.7% of brokered volumes<sup>12</sup>.

In the first half of the year, the expansion of the range of products and services continued. In particular:

- the extension of the trading hours for CFDs with underlying indices and commodities of the CME and the trading hours of the Knock Out with underlying currency crosses until 10:50 PM;
- the expansion of the offer in OTC derivative financial instruments (CFDs and Knock Out) with underlying futures on cryptocurrencies: Bitcoin and Ethereum;
- Extension of the Hi-cert segment of the Hi-MTF market (from 08:10 AM to 09:55 PM) for the negotiation of Fineco Turbo Certificates.

The following table shows the number of orders on financial instruments recorded during the first half 2022 compared to the same period of previous year.

(Amounts in € thousand)

	1st Half		Changes	
	2022	2021	Absolute	%
Orders - Equity Italy (including internalised orders)	4,965,495	5,118,275	(152,780)	-3.0%
Orders - Equity USA (including internalised orders)	1,650,554	3,019,517	(1,368,963)	-45.3%
Orders - Equity other markets (including internalised orders)	525,961	643,898	(117,937)	-18.3%
<i>Total Equity orders</i>	<i>7,142,010</i>	<i>8,781,690</i>	<i>(1,639,680)</i>	<i>-18.7%</i>
Orders - Bonds	227,730	190,733	36,997	19.4%
Orders - Derivatives	6,840,757	4,839,226	2,001,531	41.4%
Orders - Forex	526,359	490,191	36,168	7.4%
Orders - CFDs	1,284,586	1,046,609	237,977	22.7%
Orders - Funds	2,385,041	2,289,831	95,210	4.2%
<b>Total orders</b>	<b>18,406,483</b>	<b>17,638,280</b>	<b>768,203</b>	<b>4.4%</b>

<sup>12</sup> Assosim's data as of June 30, 2022.

# 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. IPOs of Investment Certificates are also carried out continuously through the advisory services.

With reference to collective asset management products, during 2022 the range was expanded with the inclusion in the platform of 48 new ISINs available to customers, including 44 Fineco Asset Management funds. It should be noted that the FAM range was further expanded with the entry of new versions of the FAM Target Boost funds (Fineco AM Megatrends Target, Fineco AM Sustainable Target, Fineco AM Emerging Markets Target e Fineco AM Advisory 9 Target) whose characteristic are based on the ability of the decumulation plan to exploit market correction phases to increase equity exposure. The fund platform on the Italian market consists of 75 investment houses with a total of around 6,000 ISINs subscribable as at 30 June 2022.

It should be noted that from September 2019, the placement of funds also started on the UK market. There are 21 Investment Houses and around 800 ISINs subscribable on the UK platform.

As a part of FAM Evolution family, Fineco AM Cube Trend Opportunity Fund were launched, it expands the offering with a complementary product that invests in funds, passive instruments and high (€ 500 thousand) administered savings instruments. Fineco AM Passive Underlyings funds, also, were launched with the goal to achieve capital growth over a medium- to long-term horizon. These portfolios are realized with passive instruments within an aggressive risk-return profile and managed according to a disciplined quantitative model. The maximum allocation of the equity component ranges from 15% (PU3) to 100% (PU8).

In the first half of the year new FAM Series family proxy funds were launched (under management by both FAM and third-party houses: FAM Euro Inflation-Linked Government Bond Fund, Global Disruptive Opportunities FAM Fund, Medtech Fam Fund, Global Stars Equity Fam Fund, Sustainable Future Connectivity Fam Fund, Changing Lifestyles Fam Fund And Morgan Stanley Us Advantage Fam Fund), in addition to three new ESG Target Global Coupon 2026 Fineco AM FUND (with the aim to increase capital over the next five years through gradual exposure to the equity market with a focus on global companies that take environmental, social, and governance ("ESG") factors into account in carrying out their business activities).

Finally, it should be noted that 9 passive funds characterized by very low management fees and the absence of entry costs have been added to the FAM Series family (Bluestar Global Logistics Index Fam Fund, Fam Msci Ac Asia Pacific Ex Japan Index Fund, FAM MSCI Emerging Markets Index Fund, MSCI World Index FAM Fund, S&P 500 Index FAM Fund, Smart Factors Europe Fam, Smart Factors Us Fam Fund, Smart Factors World Fam Fund, and STOXX Europe 600 Index FAM Fund).

The decision to expand Fineco's range with passive funds is a consequence of the European asset management landscape of the past decade, whose passive funds have strengthened their market share in terms of AUM, jointly with ETFs.

It should be noted the launch of the same type of products belonging to Amundi Index Solutions Sicav, in addition to Fineco AM's passive funds, containing indexed passive solutions with class dedicated to the Retail market. At present, 4 strategies have been placed: Amundi Index J.P. Morgan GBI Global Govies, Amundi Index MSCI Japan, Amundi Index FTSE EPRA NAREIT Global, and Amundi Index Barclays Global AGG 500M. All the funds shown aim to replicate the relevant index.

In exclusive placement for FinecoBank *private* clients, among the delegated solutions, the range of asset management has been enhanced with securities lines, Private Value and Private Etiche, and the ETFs lines and funds (called Private Global), each declined on risk profiles from prudent to dynamic and characterized by increasing equity exposure. *Private* clients' interest in asset management is constant and focuses more on the Balanced and Equity lines, despite a difficult market environment.

With regard to pension products, customers increasingly focused on the Core Pension open-ended pension fund, available exclusively to the FinecoBank network. Thanks to the paperless proposition through the collection of subscriptions in digital mode and through web collaboration, assets under management increased by 8.5% compared to 31 December 2021.

In the area of insurance advisory services, in the first half of 2022 the collection continued mainly on the Multiramo Extra, Multiramo Target and Multiramo Private products with an investment size starting from € 250 thousand. Regarding the new investment proposals, 2 tariffs with bonuses were added to the Multiramo Private product, completing the range of products with a line dedicated exclusively to the HNWI target clientele, as well as the launch of the new Multiramo Flex with recurring premiums including a "private" version.

Regarding the offer on the primary market (IPO), the placement of Investment Certificates continued in 2022. The structures mainly used are those "conditionally protected" through protection barriers up to 70%, also quarterly autocallable with conditional coupon and memory effect. Three different issuers were used and 11 placements were made. The continuous increase in the number of Certificates listed on the secondary market, also in ESG themes, broadens the solutions that can be used within the advisory services.

With reference to advisory services, the Bank continued its activities and solutions aimed at improving the services offered to Fineco's customers and personal financial advisors. The requests to customise private portfolios of over € 500,000, received by the Bank's Senior Investment Specialist team, reached a countervalue of over € 2.5 billion, demonstrating the appreciation of the service provided and the need by customers to receive customised investment solutions.

## Results achieved in the main areas of activity

With a view to supporting the activities of financial advisors on clients with positions spread over several portfolios or belonging to an extended household, the "Active Monitoring" service was launched in 2020. This service involves a constant dialogue between the personal financial advisor and a team of Senior Investment Specialists who constantly monitor the client's entire position using a dedicated and technologically advanced platform. At present, the service provides a depth of analysis of positions comparable to that carried out by asset managers. During the first half of 2022 the activation requests of this service, dedicated to customers with portfolios of more than € 2.5 million, have exceeded € 1.6 billion.

As part of the ongoing process of developing solutions for financial advisers, the 'Private Diagnostics' service was enhanced with new portfolio analyses, such as: sector and geographic exposure based on the underlying exposure.

The supports available to Private Banking segment have been further enriched, developing a specific ESG analysis section in the 3 private analysis reports available to advisors: private diagnosis, private comparison diagnosis, and fund insight.

During the first half of 2022, the number of portfolio diagnoses requested increased considerably, by 10% compared to the first half of the previous year. It should be noted a significant increase in prospect client diagnostics, compared to the first half of the previous year, with +64% of portfolios diagnosed in 2022. With a view to continuity and integration of advice services, the factor analysis and Single VaR models were finalized and implemented for the Advice service as well, at the same time as the release of the Efficient Frontier update.

Finally, the analysis reporting for financial advisors associated with all model portfolios proposed by the Bank has been further improved.

The following table shows in detail the composition of the products of assets under management as at 30 June 2022, whose balance shows a decrease of 8.4% compared to 31 December 2021, due to the negative market effect in the first half of 2022.

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	06/30/2022	Comp %	12/31/2021	Comp %	Absolute	%
UCITS and other investment funds	33,182,079	65.3%	38,052,645	68.6%	(4,870,566)	-12.8%
Insurance products	15,420,884	30.4%	14,962,876	27.0%	458,008	3.1%
Segregated accounts	308,096	0.6%	329,710	0.6%	(21,614)	-6.6%
Asset under custody and Direct deposits under advisory	1,877,505	3.7%	2,104,995	3.8%	(227,490)	-10.8%
<b>Total assets under management</b>	<b>50,788,564</b>	<b>100.0%</b>	<b>55,450,226</b>	<b>100.0%</b>	<b>(4,661,662)</b>	<b>-8.4%</b>

# The network of personal financial advisors

Year 2022 opened in the wake of the newfound optimism that marked in particular the last months of the previous year and the confidence on the part of savers in various forms of investment, which is now well established, thanks in part to the good and continuous performance expressed by the markets.

After a short time, however, we witnessed a rapid change of scenery generated by the change of central banks' monetary policy: restrictive signals came from the U.S. and European central banks in response to the inflationary tensions of the period, partly related to the long phase of quantitative easing, partly to the reduction due to the pandemic in the supply chain. Later the Russian-Ukrainian conflict further complicated the economic and geo-political picture, consolidating inflationary expectations.

Although the shock of the first few weeks has been overcome, this has provoked very negative reactions from the markets, which are still turbulent (with values much lower than at the beginning of the year), and the continuation of the situation, with the sharp increase in prices and the consequent rise in inflation, continues to generate fears among customers regarding the economy and their saving.

Fundamental in these months has been the effort of advisors with clients, to give assistance and support in this scenario, once again, suddenly changed. Our model makes the financial advisor as the privileged interlocutor to take care of a solid relationship with customers based on trust, supported by increasingly advanced technology that allows accurate investment planning and ensures risk control and monitoring; This is confirmed to be a winning model. In addition Fineco has guaranteed its clients constant and assiduous presence, thanks in part to the possibility for financial advisors to organize work in teams and the increasingly popular remote communication techniques.

Financial advisors and customers demonstrated an attitude that appears more mature than in similar contexts experienced in the past, avoiding disinvestments dictated by the fear of these days. The significant inflows are a further sign of confidence, and if some slowdown in investment operations is noted, it creates the preconditions for future retraining to seize opportunities following market stabilization.

As at 30 June 2022, the Network of personal financial advisor recorded significant results, in particular:

- Total Net Sales: € 4,935 million
- Total Net Sales Assets Under Management: € 1,711 million
- Net Inflows in Guided Products: € 1,624 million
- New customers acquired: 32,166

placing the Bank in 2<sup>nd</sup> place for net inflows as at 31 May 2022 according to the Assoreti ranking (latest available data).

The lower number of new customers, compared to the same period of last year (32,166 compared to 44,352) is related to the contingent situation, but also to a greater selectivity in customer acquisition by advisors as well as a certain resistance of customers to seek an alternative as they are currently more focused on loss recovering.

Without any commercial campaigns and despite the market effect, the average portfolio of the Network remained substantially unchanged compared to the same period last year (€ 31.2 million compared to € 32.5 million as of June 2021), reflecting the healthy collection activities carried out in the past and the solid trust relationship established with customers.

Thanks to the important contribution Fineco AM had in perfecting innovative instruments, financial advisors were able to be particularly prompt in offering customers defensive solutions that allow progressive equity exposure, avoiding market timing errors and ensuring adequate diversification and timely rebalancing, thus also meeting the needs of customers with a more cautious profile. In addition, during the first half of the year, financial advisors had access to the new range of funds and funds of passive funds launched by FAM, which combine instrument efficiency with a focus on cost and broad diversification.

On June 30, 2022, assets referable to Private customers assisted by financial advisors stood at € 39.6 billion referring to about 40,000 customers. A further positive element is the comparison with competitors. Fineco confirms its leadership position in the growth of assets and customers.

The strong attractiveness of our model increases recruitment activity, a complement to the growth and qualitative improvement of the Network, particularly for those professionals who are still tied to more traditional models. In the first half of 2022, 47 new financial advisors were recruited. They are qualified professional figures, mainly from the world of financial advisory networks, traditional banks and institutions specializing in Private Banking. "Millennials" are confirmed as an important resource to focus on, and we have initiated 82 new advisors into the profession as part of our "youth project." The net balance of the Network is 97 unit in the first half of 2022, which shows a very low turnover rate (equal to about 1%).

Fineco kept up its commitment to financial education, with events dedicated primarily to customers and involving prospect customers, with the aim of increasing knowledge on issues concerning investments, financial and estate planning, behavioral finance, and answering questions from our customers, covering various topics of "financial news".

About 750 events were made in the first half of 2022 (including 413 in web mode) attended by about 35,800 customers and prospects. Of these, there were 29 events dedicated to high-end clients on the topic of wealth planning, with over 2,500 private customers involved.

# The network of personal financial advisors

As of June 30, 2022, the Network consists of 2,887 financial advisors.

The widespread presence of the Network in the country is supported by the 423 financial stores. During the six-month period, 8 new openings were developed to further support the image and capillarity.

## Net sales - Personal Financial Advisors Network

(Amounts in € thousand)

	1st Half 2022	Comp %	1st Half 2021	Comp %	Changes	
					Absolute	%
Current accounts and demand deposits	1,134,226	23.0%	576,410	10.4%	557,816	96.8%
Time deposits and reverse repos	(1)	0.0%	(158)	0.0%	157	-99.4%
<b>DIRECT DEPOSITS</b>	<b>1,134,225</b>	<b>23.0%</b>	<b>576,252</b>	<b>10.4%</b>	<b>557,973</b>	<b>96.8%</b>
Segregated accounts	18,703	0.4%	57,622	1.0%	(38,919)	-67.5%
UCITS and other investment funds	551,517	11.2%	2,564,913	46.3%	(2,013,396)	-78.5%
Insurance products	1,086,617	22.0%	1,307,770	23.6%	(221,153)	-16.9%
Asset under custody and Direct deposits under advisory	53,936	1.1%	78,653	1.4%	(24,717)	-31.4%
<b>ASSETS UNDER MANAGEMENT</b>	<b>1,710,773</b>	<b>34.7%</b>	<b>4,008,958</b>	<b>72.3%</b>	<b>(2,298,185)</b>	<b>-57.3%</b>
Government securities, bonds and stocks	2,090,320	42.4%	960,084	17.3%	1,130,236	117.7%
<b>ASSETS UNDER ADMINISTRATION</b>	<b>2,090,320</b>	<b>42.4%</b>	<b>960,084</b>	<b>17.3%</b>	<b>1,130,236</b>	<b>117.7%</b>
<b>NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK</b>	<b>4,935,318</b>	<b>100.0%</b>	<b>5,545,294</b>	<b>100.0%</b>	<b>(609,976)</b>	<b>-11.0%</b>
of which Guided products & services	1,623,641	32.9%	3,716,873	67.0%	(2,093,232)	-56.3%

The table below shows the amount of assets referable to the financial advisor network as of June 30, 2022, totalling € 90,078 million (€ 94,631 million as of December 31, 2021). According to the Assoreti ranking, as of March 31, 2022 FinecoBank ranked 3<sup>rd</sup> in total assets (latest available data).

## Total financial assets - Personal Financial Advisors Network

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	06/30/2022	Comp %	12/31/2021	Comp %	Absolute	%
Current accounts and demand deposits	23,823,517	26.4%	22,689,292	24.0%	1,134,225	5.0%
Time deposits and reverse repos	-	0.0%	1	0.0%	(1)	-100.0%
<b>DIRECT DEPOSITS</b>	<b>23,823,517</b>	<b>26.4%</b>	<b>22,689,293</b>	<b>24.0%</b>	<b>1,134,224</b>	<b>5.0%</b>
Segregated accounts	308,096	0.3%	329,710	0.3%	(21,614)	-6.6%
UCITS and other investment funds	32,786,507	36.4%	37,557,343	39.7%	(4,770,836)	-12.7%
Insurance products	15,364,529	17.1%	14,899,834	15.7%	464,695	3.1%
Asset under custody and Direct deposits under advisory	1,877,475	2.1%	2,104,977	2.2%	(227,502)	-10.8%
<b>ASSETS UNDER MANAGEMENT BALANCE</b>	<b>50,336,607</b>	<b>55.9%</b>	<b>54,891,864</b>	<b>58.0%</b>	<b>(4,555,257)</b>	<b>-8.3%</b>
Government securities, bonds and stocks	15,917,567	17.7%	17,049,982	18.0%	(1,132,415)	-6.6%
<b>ASSETS UNDER CUSTODY</b>	<b>15,917,567</b>	<b>17.7%</b>	<b>17,049,982</b>	<b>18.0%</b>	<b>(1,132,415)</b>	<b>-6.6%</b>
<b>TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK</b>	<b>90,077,691</b>	<b>100.0%</b>	<b>94,631,139</b>	<b>100.0%</b>	<b>(4,553,448)</b>	<b>-4.8%</b>
of which Guided products & services	38,786,696	43.1%	42,240,277	44.6%	(3,453,581)	-8.2%



# Human resources

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

As at June 2022, the Bank's employees are 1,266 up compared to 1,261 as at December 31, 2021.

During the first half of 2022, until the health emergency persisted, all employees continued to work remotely, ensuring the continuation of the business. After an initial period of coming back to the office for one day a week, on May 1<sup>st</sup> the Individual Agile Work Agreement came into force. The Individual Agreement provides the possibility of working from home, indicatively 2 days a week, which can be raised up to 3 within the maximum monthly limit of 12 days. Days cannot be divided into hours. Further initiatives aimed at facilitating and improving the working and personal life of employees continued, in continuity with what was done in 2021 (for example in the area of health and welfare). Timeliness of intervention and constant monitoring of the evolution of the pandemic situation were the keywords that characterized the Bank's approach in all processes dedicated to human resources.

In addition, hiring activities aimed at strengthening and optimising the areas dedicated to business development, organizational and technological support and risk control and management continued in "remote" mode.

Out of the 42 recruitments, many were employed in the Customer Relationship Management area confirming the strong and ongoing focus on young graduates. Customer Relationship Management is in fact the starting point of a path of professional development that can lead to cover different roles in the company.

In continuity with previous years, our effort in attracting new talents continued also in the first six months of 2022, with a particular focus on new Generations (Millenials and Z Generation), also thanks to employer branding initiatives aimed at meeting and hiring new graduates or undergraduates and better understand the behavioural dynamics typical of the new generations. FinecoBank attended Digital Career Days and continued to use different hiring techniques, such as video interviews and remote interviews. Even the onboarding took place very quickly, immediately equipping the new employees with all the equipment needed for remote work.

During the first half of 2022, a total of 37 employees left the Bank, including:

- 27 resignations;
- 10 for other reasons.

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

Category	Men		Women		Total	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Executives	24	24	6	6	30	30
Managers	302	302	128	125	430	427
Professional Areas	408	406	398	398	806	804
<b>Total</b>	<b>734</b>	<b>732</b>	<b>532</b>	<b>529</b>	<b>1,266</b>	<b>1,261</b>

As June 30th 2022, the Bank has 104 part-time employees (8% of the total), women employees making up 42% of the workforce. The average length of service is about 12 years and the average age is about 42.

# Human resources

## Employee training

During first half of 2022, employee training has been focused both on acquisition and strengthening of specific skills required by the different company needs and on the updating of individual knowledges, with a specific attention to mandatory, technical, linguistic, behavioural and managerial training.

Below, the breakdown of training hours by training areas:

Training area	Hours of training
Mandatory	7,939
Technical	8,339
Foreign Language	2,411
Conduct – Management	445
<b>Total</b>	<b>19,134</b>

\*FAM included

## Mandatory training

The Bank is committed to the constant spread and improvement of Risk and Compliance culture across the organisation, elements which enable its business to be, other than profitable, sustainable over time. We believe that training on these topics is fundamental to promote among employees how awareness transparency and rule respect are essential for FinecoBank.

For this reason, considerable attention is constantly paid to mandatory training, extended to all FinecoBank employees and mainly provided through the Learning Next platform, with the creation of new courses about relevant topics (e.g. Bank anatocism, Conflicts of interests) and the update and customization of existing ones.

In the first half of 2022, the Bank delivered the course “Percorso formativo per Smart Workers”, with the aim to support employees in the remote working activity, providing a specific focus on regulation and security.

In addition, in order to be compliant with Safety and Security Regulations, the Bank guarantees adequate training about these topics to all employees. This training is provided periodically, ongoing basis, according to regulations in force.

Mandatory training is periodically monitored to make sure all employees receive this training and to protect the Bank from operational, legal and reputational risks arising from the non-completion of courses.

Bank Departments that give information to the customers have been provided by mandatory courses about insurance-related topics (IVASS), and professional development courses for the purposes of Consob intermediary regulation and annual skills Assessment based on ESMA subjects.

## Technical, Behavioural and Managerial Training

During first half of 2022, with the assistance of external suppliers, Universities and internal specialists, the Bank organized training sessions for the acquisition of technical skills that needed to improve not only company productivity, but also the level of employee specialisation.

As every year, in the Customer Care Area, in order to maintain high quality service and customer focus, training courses were held for newly employed and existing staff, with a total of 7,300 hours, focused on the acquisition of key technical and role-specific skills.

With the aim to guarantee the development of professional, managerial and personal skills of all employees, Learning Next courses catalogue is constantly enhanced with new courses focused on communication skills, self-efficacy, leadership, teamwork, motivation. This catalogue is freely available and organised through different learning methods: interviews, quiz, exercises.

In the first half of 2022, Fineco has also delivered a Project Management course, dedicated to a selected target of employees, with the purpose of providing the logics and the mindset of Project Management through practical training and a structured methodology. The Bank has also planned a specific training dedicated to Managers, that will start in the second half of 2022.

Even for year 2022, FinecoBank has renewed the partnership with Valore D, that offers to employees the chance of having access to contents and courses designed to enhance the female talent and promote the Company inclusive culture.

# Human resources

## Foreign language training

Even in year 2022, all employees have the opportunity of using the linguistic training platform Voxy, that is based on Artificial Intelligence, and has the aim to increase English language skills of everyone through a custom learning path, based on the initial level of knowledge and own personal interests of the learner.

As usual, the Bank has activated an English language course for 300 employees (groups and one-to-one lessons), held by phone or virtual classes. In addition, some Executive Managers also received a specific Legal English training.

Two group courses of German language have been started, too.

Employees have been assigned to participate in foreign language training courses based on requests of their Unit Managers, considering specific professional needs, except for the use of Voxy Platform, that is of free access to all employees.

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

As at 30 June 2022, the Company's employees are 50 of which 19 women and 31 men and the average age is around 37.

During the first half of 2022, there were 11 entries and 5 exits due to resignation.

## Incentive plans

The Board of Directors' meeting of FinecoBank held on January 18th 2022 – in consideration of the favourable opinion of the Remuneration Committee held on January 17th 2022 – approved the following incentive systems subsequently approved by the Shareholders' Meeting of April 28th 2022:

- 2022 Incentive System for employees classified as Identified Staff;
- 2022 Incentive System for Personal Financial Advisors classified as Identified Staff.

On February 9th 2022, in consideration of the achievement of the minimum entry conditions at Group level and the individual requirements (compliant conduct and continued employment) and on the favourable opinion of the Remuneration Committee held on February 7th 2022, the Board of Directors of FinecoBank approved:

- for the 2016, 2017, 2018, 2019 and 2020 Incentive Systems (Bonus Pools):
  - the execution of the plans;
  - the allocation of the fourth 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 third share tranche of the 2017 plan, awarded in 2018, corresponding to 28,457 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 9th, 2017;
  - the allocation of the second share tranche of the 2018 plan and of the third share tranche of the severance payment agreed in 2018 for an executive with strategic responsibility, awarded in 2019, corresponding to overall 42,049 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2018;
  - the allocation of the second share tranche of the 2019 plan, awarded in 2020, corresponding to 1,127 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2019;
  - the allocation of the first share tranche of the 2020 plan, awarded in 2021, corresponding to 65,749 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 15th, 2020;
  - a free capital increase effective from March 31st, 2022 for a total amount of € 55,370.04 corresponding to 167,788 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 11th 2017, April 11th 2018, April 10th 2019 and April 28th 2020 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 2021 Incentive System (Bonus Pool):
  - the FinecoBank 2021 Bonus Pool;
  - the proposals 2020 bonus for the Chief Executive Officer and General Manager, the Executives with Strategic Responsibilities and other Identified Staff
  - the allocation of 161,018 FinecoBank ordinary shares, to be allocated free of charge to the above-mentioned personnel in accordance with the relevant plan rules.

# Human resources

- for the 2018-2020 Long Term Incentive Plan for the employees:
  - the execution of the plan;
  - the allocation of the second share tranche of the plan, granted in 2018 and corresponding to 52,302 FinecoBank free ordinary shares, and subsequently, a free capital increase effective from March 31st, 2022, for a total amount of € 17,259.66.
- for the 2021 PFA Incentive System plan:
  - the proposed determination of the 2021 Bonus Pool for personal financial advisors;
  - the proposed determination of the 2021 bonus and prior-year deferrals for personal financial advisors classified as Identified Staff;
  - the allocation of 83,388 FinecoBank shares (within the maximum 203,773 ordinary shares), to be allocated free of charge to the above-mentioned personal financial advisors in accordance with the relevant plan rules;
  - 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) as amended by EU Reg. no. 876/2019, in accordance with the shareholder meeting resolution..
  - the payment of the first tranche in cash.
- for the 2020 PFA Incentive System plan:
  - the execution of the plan;
  - the allocation of the first tranche in shares corresponding to 28,998 FinecoBank shares and the second tranche in cash to the personal financial advisors classified as "Identified Staff", in accordance with the plan rules.
- for the 2019 PFA Incentive System plan:
  - the execution of the plan;
  - the allocation of the second tranche in shares to the personal financial advisors classified as "Identified Staff", in accordance with the plan rules, corresponding to 8,227 FinecoBank shares.
- for the 2018 PFA Incentive System plan:
  - the execution of the plan;
  - the allocation of the second tranche in shares of the plan, corresponding to 3,435 FinecoBank shares to the personal financial advisors classified as "Identified Staff", in accordance with the plan rules.
- for the 2017 PFA Incentive System plan:
  - the execution of the plan;
  - the allocation of the third tranche in shares of the plan, corresponding to 5,527 FinecoBank shares to the personal financial advisors classified as "Identified Staff" in accordance with the plan rules.
- for the 2018-2020 Long Term Incentive Plan for FinecoBank Personal Financial Advisors classified as Identified Staff:
  - the execution of the plan;
  - the allocation of the second tranche in cash of the Plan to the beneficiaries.

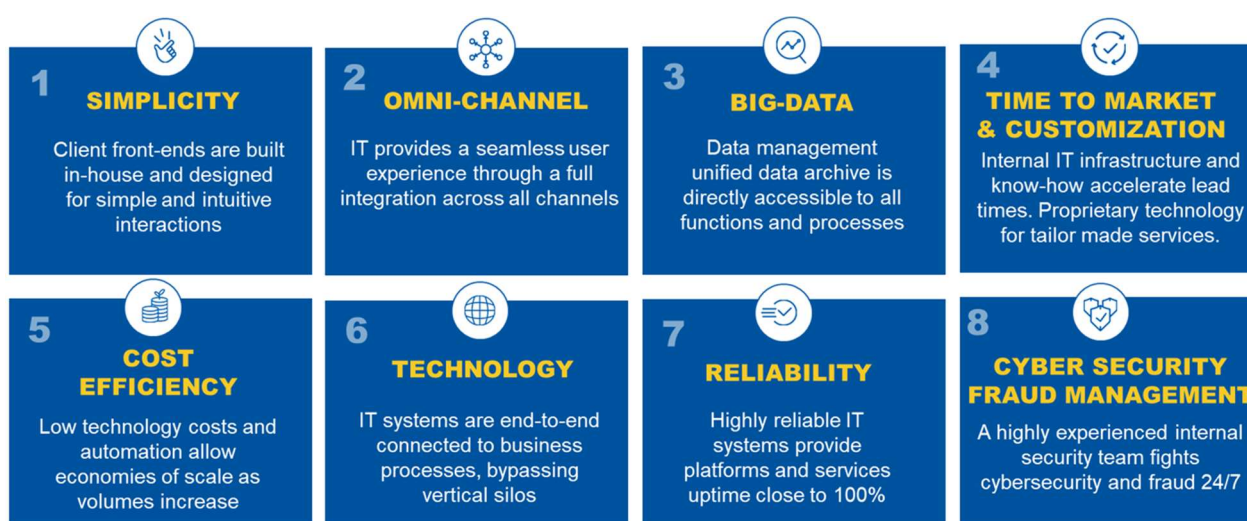
On April 21st 2022, the Board of Directors of Fineco Asset Management DAC approved the 2022 incentive system for the local Identified Staff.

# Technology infrastructure

FinecoBank is one of the most important FinTech banks and offers a unique business model in Europe, combining the best platforms with a large network of financial advisors. Fineco offers banking, credit, trading and investment services from a single account through transactional and advisory platforms developed with proprietary technologies.

Fineco's competitive strategy is based on an approach that has always driven the Bank: the interpretation of customer needs and the information system represent a tool of primary importance for the achievement of both strategic and operational objectives: Fineco combines customer care with an intrinsic component of innovation that succeeds in following the most current technological trends also through its internal culture, making the customer experience fluid and intuitive on all channels.

Over the years, the strategic choice in IT and Security has been to oversee internally all the technological and security activities that could provide a significant contribution to business development. This approach has made it possible to offer customised and distinctive products, maintain internal know-how and a high level of control over the evolution of its technology and services, maintain intellectual property rights over the applications developed and the algorithms supporting them, and guarantee a rapid time to market, as well as better and more consistent performance in the provision of services.



The current architecture is structured on several logical layers, segregated in terms of networks and delivery systems:

- Frontend layer for web, mobile and phone banking applications;
- Backend layer for the delivery of core services such as banking, trading and consultancy services;
- Technical integration layer that allows the two previous layers to interact and integrate with the necessary counterparts (info-providers, markets, partners, etc.);
- Data layer, which houses all the company's information assets, structured and unstructured.

The architectural and development paradigms in use, oriented towards "agile development" together with the adoption of latest-generation technologies, enable the effective and sustainable integration of distribution channels, the internal operating platform, and the applications through which customers access their services.

The aim is to have a high degree of sustainability in terms of technological cost structure, a high degree of scalability of a "horizontal" type, to design services that are delivered in a distributed manner, and to keep in-house the development and management of value-added applications that represent a competitive factor for Fineco, whether quantifiable in terms of "time to market" or efficiency/ operational leverage.

As regards Fineco AM, the company uses a third-party platform for the manage investment services.

During the first half of 2022, the ICT & Security Office was engaged in the usual activity of technological upgrading, infrastructural and application optimisation with a focus on the issues of operational process efficiency, consolidation and development of the information system, aimed at providing innovative, reliable, interoperable and open services that improve the experience of customers and financial advisors, as well as ensuring adherence to the opportunities offered by the regulatory landscape.

# 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 and 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.

FinecoBank, as parent company, 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 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 Department 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 activities by units within the company.

As parent company, FinecoBank defines the relevant control and monitor measures of the subsidiary Fineco AM, ensuring an alignment of the implementation of the group internal control system, where possible, in consideration of the specific business carried out by the Irish controlled entity.

# 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, 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.

Finally, it is recalled that during 2021, the European Central Bank informed FinecoBank its own decision to adopt a decision concerning the classification of FinecoBank as a Significant Institution, starting from January 1st, 2022. Such decision is backed by the overtake, as of December 31, 2020, of the €30 billion dimensional threshold for significance, envisaged by regulation n. 468/2014 (MVU). Consequently, in 2022, the annual Supervisory Review and Evaluation Process (SREP) will be carried out by a Joint Supervisory Team (JST), composed by BCE analyst from the DG "Specialized Institutions & LSIs" as well as members of the "Banks Supervisory Services 1" of the Bank of Italy.

## Main risks and uncertainties

For more details of the risks and uncertainties faced by the Bank and the Group in the current market situation, see Part A - Accounting policies and Part E - Information on risks and hedging policies of the notes to the accounts.

<sup>13</sup> This function includes the Anti Money Laundering and Anti-Terrorism Function, responsible for managing the correct application of regulations on anti-money laundering and combating the financing of terrorism, headed by the 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. In this regard, the Bank has identified some functions / organizational structures which, on the basis of specific tasks assigned, oversee certain regulatory areas. In particular, the safeguards of the Manager in charge of preparing the corporate accounting documents and that of Control on the sales network of the tied agents are relevant.

The indirect monitoring model also provides that, with reference to other regulations for which specific forms of specialized supervision are already envisaged - adequate to manage the risk profiles of non-compliance - the compliance function can be graduated. Compliance however remains responsible, in collaboration with the specialized functions in charge, at least for the definition of the methodologies for assessing the risk of non-compliance and for the identification of the related procedures, and verifies the adequacy of the procedures themselves to prevent the risk of non-compliance.

Currently, specialist controls have been identified in the following corporate functions:

- Corporate Law & Board Secretary's Office in relation to transactions with related parties and associated persons; Delegate for Occupational Health and Safety (Delegate 81); Works Supervisor pursuant to Article 89, paragraph 1, letter c), of Legislative Decree 9 April 2008, no. 81; Human resources; GBS - Bank Organization and Operations - Business Continuity Manager; CFO - Tax Affairs and Consulting; CFO - Supervisory Board Administration and Reporting; CFO - Management Representative pursuant to EMAS Regulation (Eco-Management and Audit Scheme) no. 1221/2009 / EC.

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

## 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, Chief People Officer, 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 (Global Banking Services Department).

In brief:

- the Network PFA & Private Banking Department is responsible for overseeing the management and development of the personal financial advisors network enabled for off-site distribution, and for providing 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 Global Banking Services (GBS) 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 Office Department (CIO), Customer Relationship Management (CRM) Department, Organisation & Bank Operations Department, Financial Operations Department, Procurement Office Team, Real Estate Unit, General Services Unit and Operational Monitoring & Private Bankers Team.

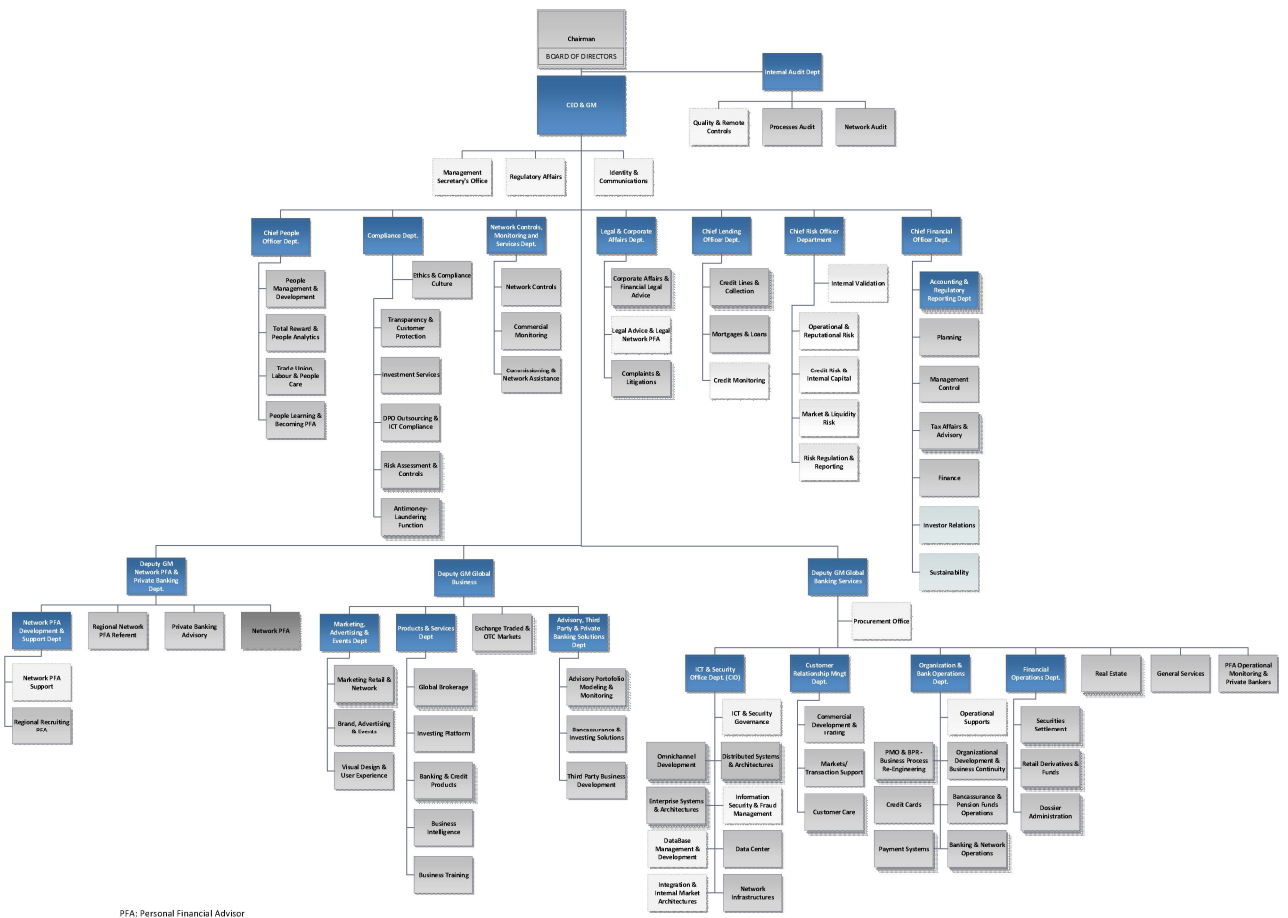
The three Deputy General Managers and related Departments (Network PFA & Private Banking Department, Global Business Department and Global Banking Services Department) report to the Chief Executive Officer and General Manager, in addition to the following organizational structures: the Chief Financial Officer (CFO) Department, the Chief Risk Officer (CRO) Department, the Chief Lending Officer (CLO) Department, the Network Controls, Monitoring & Services Department, the Legal & Corporate Affairs Department, Chief People Officer Department, Compliance Department, the Regulatory Affairs Team and the Identity & Communications Team.

Internal Audit reports directly to the Board of Directors, the Body responsible for Strategic Supervision.

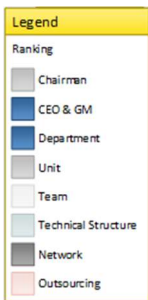
The Board of Directors resolved, effective from January 1, 2022, to reorganise the Compliance Department in order to qualitatively and quantitatively strengthen the Regulatory Compliance Function, better organising the Department by identifying vertical controls in specific areas (for example, in the areas of banking transparency and customer protection, ICT compliance). Similarly, it was decided to rename the Human Resources Department in Chief People Officer Department, as well as the renaming of direct reporting structures, to be more consistent with the current context and to highlight the central role of people.



# Organisational structure



PFA: Personal Financial Advisor



# 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 unitary governance, direction and control of the Group entities (i.e. of Fineco AM, currently the only subsidiary).

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>, as well as outlining the Group's managerial/functional management system and disciplined the key processes between the Parent Company and the entities of the Group.

The Parent Company ensures the coordination of the entities' activities with a managerial management system based on the concept of the "competence lines", through the strong functional link between the Parent Company structure and the organizational structure of the entities (the entity's homologous function).

The Competence Lines are represented by the structures/functions which, operating transversally between the Parent Company and the Group' entities, have the objective of directing, coordinating and controlling the activities and risks of the Group as a whole and through the structures/functions present locally of the entities. The Competence Lines operate in the following areas: Investor Relations, Finance and Treasury, Planning and Control, Accounting & Regulatory reporting, Planning and Tax Affairs and Advisory (Chief Financial Officer area); Risk Management (within the Chief Risk Officer area); Credit (within the Chief Lending Officer); Legal/Corporate; Compliance; Internal Audit, Chief People Officer Department, 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, in compliance with the responsibilities of the Corporate Bodies of the Entities, specific powers of direction, support and control with reference to the corresponding functions of the entities, always in coordination with the Top Management of the respective entity.

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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

## Cash and cash balances

**Cash and cash balances**, which amounted to €1,542.4 million as at 30 June 2022 (€1,464.2 million as at 31 December 2021), consisted mainly of liquidity deposited on the HAM account (Home Accounting Model), an account used for short-term liquidity management, and TIPS (Target Instant Payment Settlement) with the Bank of Italy, for a total amount of € 1,252.2 million, in addition to the liquidity deposited on the current accounts opened with credit institutions for the settlement of transactions on payment circuits, for the settlement of securities transactions, for the management of UK clients' liquidity and for the management of Fineco AM's liquidity, amounting to € 290.1 million.

## Financial assets held for trading

**Financial assets held for trading** totalled € 20 million and include financial instruments that meets the definition of "held for trading", in particular:

- equities, amounting to € 8.9 million (€ 14.8 million as at December 31, 2021), held in the Bank's portfolio as mainly used for the operational hedging of CFD positions on shares open in counterpart of the customers and, to a lesser extent, from the internalisation activity 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 € 5.4 million (€ 2.1 million as at December 31, 2021), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the positive valuation of CFD derivatives (indices, shares, interest rates, commodities and forex), traded in counterpart of the customers, and derivative contracts settled or entered into with institutional counterparties used for the related operational hedging of the above-mentioned derivative contracts and of the derivative contracts Knock Out Options and Turbo Certificates issued, for a total amount of € 5.7 million (€ 3.3 million as at December 31, 2021).

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 underlying or through forex transactions with institutional.

## Loans and receivables with banks

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amount	%
<b>Loans and receivables with central banks</b>	<b>308,318</b>	<b>298,040</b>	<b>10,278</b>	<b>3.4%</b>
<b>Loans and receivables with banks</b>	<b>91,897</b>	<b>81,822</b>	<b>10,075</b>	<b>12.3%</b>
Time deposits	73,282	69,508	3,774	5.4%
Other loans:	18,615	12,314	6,301	51.2%
1. Reverse repos	373	222	151	68.0%
2. Others	18,242	12,092	6,150	50.9%
<b>Total</b>	<b>400,215</b>	<b>379,862</b>	<b>20,353</b>	<b>5.4%</b>

**Loans and receivables with banks**, amounting to € 400.2 million, show an increase of € 20.4 million compared to December 31, 2021 and mainly consist of the compulsory reserve at the Bank of Italy and deposits with banks.

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

The item "Other loans: 1. Reverse repos" does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown as "off-balance sheet" transactions in table A.1.4 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidation - Quantitative information in the notes to the accounts.

The item "Other loans: 2. Others" consists of € 7.9 million for the amount of the initial and variations margins and collateral deposits placed with credit institutions for derivative transactions (€ 4 million as at December 31, 2021) and of € 10.3 million for current receivables associated with the provision of financial services (€ 8.1 million as at December 31, 2021).

# Main balance sheet aggregates

## Loans and receivables with customers

(Amounts in € thousand)

	Amount as at		Changes	
	06/30/2022	12/31/2021	Amount	%
Current accounts	2,267,388	2,109,642	157,746	7.5%
Reverse repos	143,148	193,276	(50,128)	-25.9%
Mortgages	2,617,021	2,479,355	137,666	5.6%
Credit cards and personal loans	847,033	824,223	22,810	2.8%
Other loans	436,199	395,100	41,099	10.4%
<b>Total</b>	<b>6,310,789</b>	<b>6,001,596</b>	<b>309,193</b>	<b>5.2%</b>

**Loans and receivables with customers**, amounting to € 6,310.8 million, up by € 309.2 million compared to the amount as at December 31, 2021 (+5.2%) and can be broken down as follows:

- credit facilities in current accounts of € 2,267.4 million, up € 157.8 million compared to December 31, 2021, of which loans with a security collateral (in particular "Credit Lombard") totalled to € 2,222.2 million;
- € 143.1 million in reverse repos, down € 50.1 million compared to December 31, 2021, 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. The reduction is attributable to fewer "Leva multiday" transactions opened by customers and outstanding as at 30 June 2022;
- € 2,617 million in mortgages, up € 137.7 million compared to December 31, 2021, thanks to the disbursements made in first half 2022;
- € 847 million in credit cards (revolving and use) and personal loans, up € 22.8 million ;
- € 436.2 million in other loans, mainly made by collateral deposits and initial and variation margins for derivative and financial instrument transactions, for an amount of € 266.5 million (€ 253.4 million as at December 31, 2021), and current receivables associated with the provision of financial services, for an amount of € 166.8 million (€ 138.3 million as at December 31, 2021).

The item "Reverse repos" does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown as "off-balance sheet" transactions in table A.1.5 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidation - Quantitative information in the notes to the accounts.

# Main balance sheet aggregates

The portfolio of **loan receivables with ordinary customers** amounts to € 5,734.3 million and mainly consists of receivables for personal loans, mortgages, credit facilities in current accounts and credit card revolving and use; overall, loans receivable with ordinary customers increased of 5.9% thanks to the disbursement during first half 2022 of a further € 142 million in personal loan and € 259 million in mortgages in addition to new credit facilities in current accounts for a granted amount of € 679 million.

(Amounts in € thousand)

Loans and Receivables with Customers (Management Reclassification)	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amount	%
Current accounts	2,265,048	2,107,400	157,648	7.5%
Credit cards use	316,923	325,763	(8,840)	-2.7%
Mortgages	2,616,169	2,478,473	137,696	5.6%
Personal loans	529,163	497,440	31,723	6.4%
Other loans	2,832	3,332	(500)	-15.0%
<i>Performing loans</i>	<i>5,730,135</i>	<i>5,412,408</i>	<i>317,727</i>	<i>5.9%</i>
Current accounts	2,340	2,242	98	4.4%
Mortgages	851	882	(31)	-3.5%
Credit cards use	36	38	(2)	-5.3%
Personal loans	910	982	(72)	-7.3%
Other loans	65	52	13	25.0%
<i>Impaired loans</i>	<i>4,202</i>	<i>4,196</i>	<i>6</i>	<i>0.1%</i>
<b>Loans receivable with ordinary customers</b>	<b>5,734,337</b>	<b>5,416,604</b>	<b>317,733</b>	<b>5.9%</b>
Reverse repos	143,143	193,176	(50,033)	-25.9%
Reverse repos - impaired	5	100	(95)	-95.0%
Collateral deposits and initial and variation margins	266,494	253,386	13,108	5.2%
Current receivables associated with the provision of financial services	166,726	138,246	28,480	20.6%
Current receivables associated with the provision of financial services - impaired	84	84	-	n.a.
<b>Current receivables and other receivables</b>	<b>576,452</b>	<b>584,992</b>	<b>(8,540)</b>	<b>-1.5%</b>
<b>Loans and receivables with customers</b>	<b>6,310,789</b>	<b>6,001,596</b>	<b>309,193</b>	<b>5.2%</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	
	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	12/31/2021	06/30/2022	12/31/2021
Bad exposures	18,668	18,939	(16,601)	(16,798)	2,067	2,141	88.9%	88.7%
Unlikely to pay	4,110	3,478	(2,698)	(2,299)	1,412	1,179	65.6%	66.1%
Past-due loans	1,824	2,124	(1,012)	(1,063)	812	1,061	55.5%	50.0%
<b>Total</b>	<b>24,602</b>	<b>24,541</b>	<b>(20,311)</b>	<b>(20,160)</b>	<b>4,291</b>	<b>4,381</b>	<b>82.6%</b>	<b>82.1%</b>

The amount of non-performing loans net of impairment losses was € 4.3 million, of which € 2.1 million in bad exposures, € 1.4 million in unlikely to pay exposures and € 0.8 million in past-due loans. The impaired assets are the 0.07% of loan receivables with ordinary customers (the 0.08% as at December 31, 2021). The coverage ratio of impaired assets, equal to 82.6%, shows no significant change compared to 31 December 2021.

# Main balance sheet aggregates

## Financial investments

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amount	%
Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	5,719	5,538	181	3.3%
Financial assets at fair value through other comprehensive income	29,497	39,017	(9,520)	-24.4%
Financial assets at amortised cost	25,257,505	24,514,501	743,004	3.0%
- financial assets at amortised cost with banks - debt securities	4,116,969	5,377,644	(1,260,675)	-23.4%
- financial assets at amortised cost with customers - debt securities	21,140,536	19,136,857	2,003,679	10.5%
Investments in associates and joint ventures	1,845	1,294	551	42.6%
<b>Total</b>	<b>25,294,566</b>	<b>24,560,350</b>	<b>734,216</b>	<b>3.0%</b>

"Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value" mainly consist of the Visa INC preferred shares class "C" for an amount of € 4.8 million, which booked a negative change in fair value in the first half 2022 of € 0.1 million, and of the residual equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF), amounting to € 0.2 million referring exclusively to contributions paid for the intervention in favour of Carim, Carismi and CariCesena, with a negative impact booked in the income statement of the period of € 0.1 million (gross of taxes), and from the UCITS held by the subsidiary Fineco AM for an amount of € 0.7 million.

With reference to the equity securities taken over by the Bank as part of the intervention in favour of Banca Carige S.p.A. and present as at 31 December 2021 in the amount of amounting to € 0.2 million, it should be noted that on 3 June 2022 the IDGF announced that it had finalised, within the contractual terms contractual terms, the closing of the sale of the IDGF's and the voluntary scheme's equity investment in Banca Carige to Bper Banca, for the consideration of €1 and subject to the IDGF's contribution in Carige of € 530 million by way of capital contribution. As part of the transaction Bper Banca also acquired the subordinated bonds issued by Banca Carige owned by the Voluntary Scheme for a nominal € 5 million. Considering the above, in June 2022 the capital stock deriving from the contributions paid by FinecoBank for the support measures in favour of Banca Carige was cancelled, resulting in a loss in the income statement for the first half of 2022 of € 0.2 million.

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"<sup>16</sup> option was exercised. The following table shows the debt securities issued by sovereign States:

(Amounts in € thousand)

Counterparty	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amount	%
France	29,491		29,491	n.a.
Ireland		39,012	(39,012)	-100.0%
<b>Total</b>	<b>29,491</b>	<b>39,012</b>	<b>(9,521)</b>	<b>-24.4%</b>

The debt securities recorded in "Financial assets at amortised cost" issued by banks include, in particular, bonds issued by UniCredit S.p.A. for a total amount of € 2,376.5 million (€ 3,856.4 million as at December 31, 2021), covered bonds issued by credit institutions and bonds issued by Supranational organisations and Supranational agencies that fall within the definition of credit institutions, for a total amount of € 1,740.5 million (€ 1,521.2 million as at December 31, 2021).

<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 amortised cost" issued by customers refer mainly to bonds consist of securities issued by sovereign States and Supranational agencies. The breakdown by counterparty of debt securities at amortised cost issued by sovereign States, including debt securities issued by the European Financial Stability Facility and by the European Stability Mechanism, are shown below. The remaining debt securities at amortised cost, which amount of € 1,935.8 million (€ 1,192.5 million as at December 31, 2021) are mainly consist of debt securities issued by local Authorities and European Union. It should be noted that the carrying amount includes the negative valuation of fixed-rate securities subject to specific hedging of interest rate risk, the negative change in which is attributable to the increase in the Euribor-based curve used for the fair value valuation of the hedged items.

(Amounts in € thousand)

Counterparty	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amount	%
Italy	7,921,561	7,263,632	657,929	9.1%
Spain	4,733,175	4,749,778	(16,603)	-0.4%
Germany	171,405	126,716	44,689	35.3%
France	1,426,417	1,289,919	136,498	10.6%
USA	653,515	745,907	(92,392)	-12.4%
Austria	669,324	519,695	149,629	28.8%
Ireland	934,190	943,463	(9,273)	-1.0%
United Kingdom	52,738	48,988	3,750	7.7%
Belgium	717,999	557,732	160,267	28.7%
Portugal	381,188	386,528	(5,340)	-1.4%
Switzerland	35,178	44,164	(8,986)	-20.3%
Saudi Arabia	90,038	90,305	(267)	-0.3%
Chile	214,686	215,488	(802)	-0.4%
China	165,397	165,160	237	0.1%
Latvia	29,725	29,710	15	0.1%
Iceland	14,965	14,962	3	0.0%
EFSF (European Financial Stability Facility)	521,748	400,511	121,237	30.3%
ESM (European Stability Mechanism)	471,458	351,692	119,766	34.1%
<b>Total</b>	<b>19,204,707</b>	<b>17,944,350</b>	<b>1,260,357</b>	<b>7.0%</b>

# Main balance sheet aggregates

## Hedging instruments

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amount	%
Asset hedging derivatives - positive valuations	1,136,728	118,601	1,018,127	n.a.
Liability hedging derivatives - positive valuations	3,899	8,847	(4,948)	-55.9%
Adjustment to the value of assets under macro-hedge	(191,863)	(1,535)	(190,328)	n.a.
<b>Total assets</b>	<b>948,764</b>	<b>125,913</b>	<b>822,851</b>	<b>n.a.</b>
of which:				n.a.
Positive valuations	1,177,795	140,110	1,037,685	n.a.
Accrued interest	(37,168)	(12,662)	(24,506)	193.5%
Adjustments to the value of hedged assets	(191,863)	(1,535)	(190,328)	n.a.
<b>Total assets</b>	<b>948,764</b>	<b>125,913</b>	<b>822,851</b>	<b>n.a.</b>
Asset hedging derivatives - negative valuations		57,313	(57,313)	-100.0%
Liability hedging derivatives - negative valuations	13,004		13,004	n.a.
Adjustment to the value of assets under macro-hedge	(10,423)	7,950	(18,372)	-231.1%
<b>Total liabilities</b>	<b>2,581</b>	<b>65,263</b>	<b>(62,682)</b>	<b>-96.0%</b>
of which:				n.a.
Negative valuations	14,196	32,334	(18,138)	-56.1%
Accrued interest	(1,192)	24,979	(26,171)	-104.8%
Adjustments to the value of hedged liabilities	(10,423)	7,950	(18,373)	-231.1%
<b>Total liabilities</b>	<b>2,581</b>	<b>65,263</b>	<b>(62,682)</b>	<b>-96.0%</b>

(Amounts in € thousand)

Summary of hedging derivative valuations	Assets	Liabilities	Difference
Valuation of hedging derivatives for assets and liabilities	1,177,796	14,196	1,163,600
Change in macro fair value hedged of assets/liabilities	(191,863)	(10,423)	(181,440)
Change in micro fair value hedged of financial assets/liabilities	(968,947)	-	(968,947)
<b>Total</b>	<b>16,986</b>	<b>3,773</b>	<b>13,213</b>

As at June 30, 2022 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 Bank has entered into to hedge against interest rate risk inherent in the above-mentioned assets and liabilities, whose hedging ineffectiveness amounts to € 13.2 million, of which € 11.7 million recognised in the income statement for the first half of 2022, as previously described.



# Main balance sheet aggregates

## Property, plant and equipment

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

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

(Amounts in € thousand)

Property, plant and equipment	Balance 12/31/2021	Investments 1st Half 2022	Other changes and sales 1st Half 2022	Amortisation and impairment 1st Half 2022	Balance 06/30/2022
Lands	23,932	-	-	-	23,932
Properties	105,416	4,183	(256)	(6,117)	103,226
Electronic equipment	15,001	1,847	(5)	(2,785)	14,058
Office furniture and fittings	3,089	191	-	(449)	2,831
Plant and machinery	2,909	186	-	(457)	2,638
<b>Total</b>	<b>150,347</b>	<b>6,407</b>	<b>(261)</b>	<b>(9,808)</b>	<b>146,685</b>

It should be noted that the Property, plant and equipment as at June 30, 2022 include the "right of use", determined in accordance with IFRS 16, relating to buildings for an amount of € 62.4 million, and relating to plants and machinery for an amount of € 0.4 million.

Property, plant and equipment also include the book value of the property, where the Bank's registered office is located, located in Milan, piazza Durante 11, for a total amount of € 63.1 million.

## Goodwill

The **Goodwill** recognised in the financial statements and amounting to € 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, 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.

At 30 June 2022, there were no indicators of impairment of the goodwill and Fineco brands and domains recognised in the financial statements. In this regard, it should be noted that at 30 June 2022, the Bank has assessed that the changes reasonably estimated in the forward-looking data used at 31 December 2021 are not such as to have a significant impact on the positive outcome of the impairment test carried out at that date, the results of which confirmed the sustainability of the goodwill recognised in the financial statements and did not indicate the need for an impairment loss in any of the hypothesised scenarios, confirming a value in use that is significantly higher than the carrying amount. Also the sensitivity analyses carried out on that date show that the impairment test would reach a break-even level assuming changes in the main parameters used in the valuation model that cannot be reasonably assumed at present. It should also be noted that FinecoBank's stock has a market capitalisation at 30 June 2022 of € 6,968 million, which is significantly higher than the consolidated equity and the result of the model used for the impairment test, confirming the reasonableness of the criteria applied in calculating value in use.

For more details on the impairment test and related sensitivity analyses, please refer to Part B - Information on the consolidated balance sheet - Section 10 - Intangible assets of the notes to the consolidated accounts of the financial statements at 31 December 2021.

# Main balance sheet aggregates

## Other intangible assets

**Other intangible assets** include Fineco's trademarks and domains, amounting to € 27.5 million, and software with long-term usefulness, necessary to manage the evolution and the continuous offer by the Group of new and more versatile high-added-value services for customers, as well as infrastructure and application optimizations, improvements to the architecture dedicated to application security and developments needed to meet new regulatory and financial reporting requirements, amounting to € 10 million.

It should be noted that Fineco Trademarks and Domains are intangible assets with an indefinite useful life and are subject to impairment test together with Goodwill.

(Amounts in € thousand)

Intangibles assets	Balance 12/31/2021	Investments 1st Half 2022	Other changes and sales 1st Half 2022	Amortisation and impairment 1st Half 2022	Balance 06/30/2022
Software	11,499	1,825	-	(3,335)	9,990
Brands	27,459	-	-	-	27,459
Other intangible assets	126	-	-	(50)	76
<b>Total</b>	<b>39,084</b>	<b>1,825</b>	<b>-</b>	<b>(3,385)</b>	<b>37,525</b>

## Tax credits acquired

**Tax credits acquired** include the carrying amount of tax credits purchased under Decree-Law 34/2020, for a book value of € 827.2 million, up from € 508.8 million outstanding at 31 December 2021 due to purchases made in the first half of 2022. They include both tax credits purchased as a result of assignment by direct beneficiaries and purchased as a result of assignment by previous purchasers.

# Main balance sheet aggregates

## Tax Assets and Other Assets

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amount	%
<b>Tax assets</b>				
Current assets	1,057	-	1,057	n.a.
Deferred tax assets	44,257	43,056	1,201	2.8%
Deferred tax assets pursuant to Law 214/2011	2,407	2,772	(365)	-13.2%
<i>Total before IAS 12 offsetting</i>	<i>47,721</i>	<i>45,828</i>	<i>1,893</i>	<i>4.1%</i>
Offsetting with deferred tax liabilities - IAS 12	(3,040)	(2,853)	(187)	6.6%
<b>Total Tax assets</b>	<b>44,681</b>	<b>42,975</b>	<b>1,706</b>	<b>4.0%</b>
<b>Other assets</b>				
Trade receivables according to IFRS15	5,541	5,397	144	2.7%
Current receivables not related with the provision of financial services	2,167	1,299	868	66.8%
Improvement and incremental expenses incurred on leasehold assets	4,328	5,236	(908)	-17.3%
Definitive items not recognised under other items	16,228	14,593	1,635	11.2%
- securities and coupons to be settled	1,762	1,435	327	22.8%
- other transactions	14,466	13,158	1,308	9.9%
Tax items other than those included in the item "Tax assets"	264,419	352,224	(87,805)	-24.9%
- tax advances	258,977	346,953	(87,976)	-25.4%
- tax credit	5,442	5,271	171	3.2%
Items awaiting settlement	9,548	6,480	3,068	47.3%
- notes, cheques and other documents	9,548	6,480	3,068	47.3%
Items in processing	6,497	5,900	597	10.1%
- POS, bancomat and Visa debit	6,470	5,897	573	9.7%
- others	27	3	24	n.a.
Items in transit not allocated to relevant accounts	3	4	(1)	-25.0%
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	19,883	13,562	6,321	46.6%
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	86,535	79,566	6,969	8.8%
<b>Total other assets</b>	<b>415,278</b>	<b>484,261</b>	<b>(68,983)</b>	<b>-14.2%</b>

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 increase in **Tax assets**, post IAS 12 offsetting, is mainly due to the recognition of deferred tax assets on the 2022 pro-rata of the Patent Box tax benefit on software pursuant to Law 190/2014, as amended by Article 5 of Decree-Law 3/2015 for € 2.2 million.

With regard to **Other Assets**, there was a decrease in the item Tax items other than those included in the item "Tax assets", in the amount of € 87.8 million, mainly determined by lower advances paid, as withholding agent, for the substitute tax on miscellaneous income.

The increase of € 7 million in "Accrued income and prepaid expenses related to contracts with customers and other than capitalised in related financial assets or liabilities" is mainly due to the increase in prepaid expenses related to the extraordinary incentive treatment that the Bank grants to personal financial advisors joining the Network.

With reference to the item "Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities", the item shows an increase of € 6.3 million, determined by higher prepaid expenses related to administrative expenses.

# Main balance sheet aggregates

## Deposits from banks

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amount	%
<b>Deposits from central banks</b>	<b>1,028,974</b>	<b>1,034,228</b>	<b>(5,254)</b>	<b>-0.5%</b>
<b>Deposits from banks</b>	<b>1,304,348</b>	<b>190,985</b>	<b>1,113,363</b>	<b>n.a.</b>
Current accounts and demand deposits	35,832	62,800	(26,968)	-42.9%
Loans	34,353	42,437	(8,084)	-19.0%
-Repos	34,353	42,437	(8,084)	-19.0%
Lease liabilities	3,886	3,910	(24)	-0.6%
Other liabilities	1,230,277	81,838	1,148,439	n.a.
<b>Total</b>	<b>2,333,322</b>	<b>1,225,213</b>	<b>1,108,109</b>	<b>90.4%</b>

**Deposits from banks** amount to € 2,333.3 million and show an increase of € 1,108.1 million compared to December 31, 2021, for effect of the increase in variation margins received for derivative transactions (+ € 1,147.4 million), due to the positive change in fair value recorded by hedging derivative contracts, as previously described.

The item "Deposits from central banks" includes, exclusively, the deposit opened with the Central Bank in the context of TLTRO III operations. The Bank participated in the 6th and 7th tranches of the programme.

The item "Current accounts and demand deposits" mainly consisted of current accounts opened by customer banks worth € 35.8 million (€ 62.4 million as at December 31, 2021).

The item "Loans - Repos" is 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. This item does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" transactions in table A.1.5 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidation - Quantitative information in the notes to the accounts.

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 and securities lending transactions for an amount of € 1,229.2 million (€ 81.1 million as at December 31, 2021), increased, mainly due to the positive change in fair value recorded by the hedging derivative contracts, as previously described.

## Deposits from customers

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amount	%
Current accounts and demand deposits	30,523,969	29,518,974	1,004,995	3.4%
Time deposits	-	1	(1)	-100.0%
Loans	62,742	100,301	(37,559)	-37.4%
- Repos	62,742	100,301	(37,559)	-37.4%
Lease liabilities	60,197	61,425	(1,228)	-2.0%
Other liabilities	180,697	167,021	13,676	8.2%
<b>Deposits from customers</b>	<b>30,827,605</b>	<b>29,847,722</b>	<b>979,883</b>	<b>3.3%</b>

**Deposits from customers** totalled € 30,827.6 million, up € 980 million compared to December 31, 2021, and mainly consisting of current accounts with customers, increased by € 1,005 million (+3.4%).

# Main balance sheet aggregates

The item "Loans - 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 € 55.2 million;
- repos on securities executed on MTS market and settled through a Central Counterparty, subject to accounting offsetting as set out in IAS 32, for an amount of € 7.6 million.

This item does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" transactions in table A.1.5 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidation - Quantitative information in the notes to the accounts.

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 € 48.5 million (€ 54.4 million as at December 31, 2021), initial and variations margins for derivative and financial instrument transactions, which came to € 53.4 million (€ 56.8 million as at December 31, 2021) and other liabilities for rechargeable credit cards and bankers' drafts, amounting to € 78.7 million (€ 55.8 million at December 31, 2021).

## Debt securities in issue

Debt securities in issue amount to € 498.8 million (€ 497.3 million as at December 31, 2021) and include exclusively the Senior Preferred instrument issued by FinecoBank in October 2021 for a nominal amount of € 500 million.

## Financial liabilities held for trading

**Financial liabilities held for trading** totalled € 7.1 million (€ 4.4 million as at December 31, 2021) and include financial instruments that meets the definition of held for trading, in particular:

- technical overdrafts, amounting to € 0.2 million (€ 0.3 million as at December 31, 2021), 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 € 5.2 million (€ 1.9 million as at December 31, 2021), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the negative valuation of CFD derivatives (indices, shares, interest rates, commodities and forex), Knock Out Options issued, traded in counterpart of the customers, the valuation of Turbo Certificates issued for which the Parent Company acts as market maker as well as the valuation of regulated derivative contracts or contracts entered into with institutional counterparties for the purpose of hedging such derivative contracts on a managerial basis, for an overall amount of € 1.6 million (€ 2.2 million as at December 31, 2021).

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 counterparties.

# Main balance sheet aggregates

## Tax liabilities and Other liabilities

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amount	%
<b>Tax liabilities</b>				
Current liabilities	118,430	35,864	82,566	230.2%
Deferred tax liabilities	3,040	2,853	187	6.6%
<i>Total before IAS 12 offsetting</i>	<i>121,470</i>	<i>38,717</i>	<i>82,753</i>	<i>213.7%</i>
Offset against deferred tax liabilities - IAS 12	(3,040)	(2,853)	(187)	6.6%
<b>Total Tax liabilities</b>	<b>118,430</b>	<b>35,864</b>	<b>82,566</b>	<b>230.2%</b>
<b>Other liabilities</b>				
Payables to Directors and Statutory auditors	190	337	(147)	-43.6%
Payables to employees	17,908	16,069	1,839	11.4%
Social security contributions payable	6,294	7,818	(1,524)	-19.5%
Current payables not related with the provision of financial services	34,534	32,888	1,646	5.0%
Payables for share-based payments	-	35	(35)	-100.0%
Definitive items not recognised under other items	227,836	51,357	176,479	n.a.
- securities and coupons to be settled	8,763	11,535	(2,772)	-24.0%
- payment authorisations	206,157	27,339	178,818	n.a.
- other items	12,916	12,483	433	3.5%
Tax items other than those included in the item "Tax liabilities"	32,434	102,033	(69,599)	-68.2%
- sums withheld from third parties as withholding agent	29,736	54,332	(24,596)	-45.3%
- other	2,698	47,701	(45,003)	-94.3%
Illiquid items for portfolio transactions	11,949	15,407	(3,458)	-22.4%
Items awaiting settlement	98,287	88,879	9,408	10.6%
- outgoing bank transfers	98,227	88,851	9,376	10.6%
- POS and ATM cards	60	28	32	114.3%
Items in processing	1,872	1,018	854	83.9%
- incoming bank transfers	1,849	986	863	87.5%
- other items in processing	23	32	(9)	-28.1%
Deferred income other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	287	361	(74)	-20.5%
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	17,709	17,886	(177)	-1.0%
Sums available to be paid to customers	21,931	8,756	13,175	150.5%
Provisions for employee severance pay	4,234	5,033	(799)	-15.9%
Provisions for risks and charges	105,095	116,756	(11,661)	-10.0%
<b>Total Other liabilities</b>	<b>580,560</b>	<b>464,633</b>	<b>115,927</b>	<b>25.0%</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, are represented exclusively by current tax liabilities, in the amount of € 118.4 million, which show a substantial increase mainly due to direct taxes to be paid.

With regard to **Other liabilities**, we highlight, in particular, the increase in the item "Definitive items not recognised under other items - payment authorisations" amounting to € 178.8 million, as a result of higher proxies to be paid on behalf of customers, the item "Sums available to be paid to customers", which include € 16.6 million in dividends payable compared to € 4.5 million as at 31 December 2021, partially offset by the decrease in

# Main balance sheet aggregates

the item "Tax items other than those included in the item "Tax liabilities", in the amount of € 69.6 million mainly due to the reduction in the liability recognised for stamp duty and substitute tax on assets under administration to be paid.

With reference to the item "Provisions for employee severance pay", it should be noted that the actuarial valuation as of 30 June 2022 resulted in a reduction of the provision by € 0.8 million, mainly due to the increase in the discount rate.

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 € 99 thousand (€ 52 thousand as at 31 December, 2021);
- Provisions for risks and charges - Other provisions which include allowances for a total of € 105 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.

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	
	06/30/2022	12/31/2021	Amount	%
<b>Provision for risks and charges for commitments and financial guarantees given</b>	<b>99</b>	<b>52</b>	<b>47</b>	<b>90.4%</b>
<b>Legal and fiscal disputes</b>	<b>27,979</b>	<b>28,288</b>	<b>(309)</b>	<b>-1.1%</b>
- Pending cases	20,210	20,635	(425)	-2.1%
- Complaints	4,033	3,917	116	3.0%
- Tax disputes	3,736	3,736	-	n.a.
<b>Staff expenses</b>	<b>3,044</b>	<b>5,918</b>	<b>(2,874)</b>	<b>-48.6%</b>
<b>Other</b>	<b>73,973</b>	<b>82,498</b>	<b>(8,525)</b>	<b>-10.3%</b>
- Supplementary customer indemnity provision	71,606	79,801	(8,195)	-10.3%
- provision for contractual payments and payments under non-competition agreements	401	434	(33)	-7.6%
- Other provision	1,966	2,263	(297)	-13.1%
<b>Provision for risks and charges - Other provision</b>	<b>104,996</b>	<b>116,704</b>	<b>(11,708)</b>	<b>-10.0%</b>
<b>Total provision for risks and charges</b>	<b>105,095</b>	<b>116,756</b>	<b>(11,661)</b>	<b>-10.0%</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.

With reference to the Supplementary customers indemnity provision, it should be noted that the actuarial valuation as at 30 June 2022 resulted in a decrease in the provision of € 11.2 million, attributable, to a significant extent, to the increase in the discount rate, partially offset by the recognition of the net provisions (service cost and interest expense) in the first half of 2022, amounting to € 3.6 million.

# Main balance sheet aggregates

## Shareholders' equity

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amount	%
Share capital	201,340	201,267	73	0.0%
Share premium reserve	1,934	1,934	-	n.a.
Reserves	785,531	650,202	135,329	20.8%
- Legal reserve	40,268	40,253	15	0.0%
- Extraordinary reserves	675,023	550,415	124,608	22.6%
- Treasury shares reserve	1,714	1,440	274	19.0%
- Other reserves	68,526	58,094	10,432	18.0%
(Treasury shares)	(1,714)	(1,440)	(274)	19.0%
Revaluation reserves	(174)	(5,877)	5,703	-97.0%
Equity instruments	500,000	500,000	-	n.a.
Net profit (Loss) for the year	222,363	380,711	(158,348)	-41.6%
<b>Total</b>	<b>1,709,280</b>	<b>1,726,797</b>	<b>(17,517)</b>	<b>-1.0%</b>

As at June 30, 2022, the Bank's share capital came to € 201.3 million, divided into 610,119,860 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 € 40.3 million;
- Extraordinary reserves, amounting to € 675 million, of which € 86.3 million subject to a taxability restriction in the event of distribution, allocated as a result of the tax realignment of goodwill provided for by Article 110 of Decree-Law 104 of 2020, and shown net of the negative reserve that includes the losses recognised in the 2021 income statement as a result of the valuation the equity of Hi-MTF Sim S.p.A., subject to significant influence, in the amount of € 0.03 million;
- Reserve for treasury shares held, amounting to € 1.7 million;
- Other reserves:
  - Reserve related to equity-settled plans, amounting to € 38.9 million;
  - Consolidation reserve, amounting to € 28.2 million;
  - Reserves of unavailable profits pursuant to Article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 1.5 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 the first half 2022 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 the first half 2022 the coupons paid were accounted for as a reduction in Extraordinary Reserve for an amount of € 6.4 million, net of related taxes.

On February 9th 2022, in consideration of the achievement of the minimum entry conditions at Group level and the individual requirements (compliant conduct and continued employment) and on the favourable opinion of the Remuneration Committee held on February 7th 2022, the Board of Directors of FinecoBank approved:

- the allocation of
  - the fourth 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 third share tranche of the 2017 plan, awarded in 2018, corresponding to 28,457 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 9th, 2017;

<sup>17</sup> Unrated and unlisted.



# Main balance sheet aggregates

- the second share tranche of the 2018 plan and of the third share tranche of the severance payment agreed in 2018 for an executive with strategic responsibility, awarded in 2019, corresponding to overall 42,049 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2018;
  - the second share tranche of the 2019 plan, awarded in 2020, corresponding to 1,127 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2019;
  - the first share tranche of the 2020 plan, awarded in 2021, corresponding to 65,749 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 15th, 2020;
- and consequently a free capital increase for a total amount of € 0.05 million corresponding to 167,788 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 11th 2017, April 11th 2018, April 10th 2019 and April 28th 2020 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;
- the allocation of the second share tranche of the "2018-2020 Long Term Incentive Plan" for the employees, granted in 2018 and corresponding to 52,302 FinecoBank free ordinary shares, and subsequently, a free capital increase effective from March 31st, 2022, for a total amount of € 0.02 million in partial exercise of the authority delegated to the Board of Directors conferred by the Extraordinary Shareholders' Meeting of 11 April 2018 pursuant to Article 2443 of the Civil Code.

As a result of the aforementioned capital increases, the available profit reserves, in particular the Extraordinary reserve, were reduced by the same amount. This reserve was also used to cover transaction costs directly attributable to the transactions.

The FinecoBank Shareholders' Meeting held on 28 April 2022 approved the allocation of the profit of FinecoBank Sp.p.A for the year 2021, amounting to € 368.6 million, as follows:

- to the 610,119,860 ordinary shares with a par value of €0.33, constituting the share capital including 220,090 shares relating to the capital increase to support the employee incentive system approved by the Board of Directors on 9 February 2022, a unit dividend of €0.39 for a total of €238 million;
- € 0.01 million to the Legal Reserve, corresponding to 0.004% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 130.6 million to the Extraordinary Reserve.

The portion of dividends not distributed in respect of treasury shares held by the Bank at the record date was transferred to the extraordinary reserve, amounting to € 0.05 million.

As at 30 June 2022, the Group, specifically the Bank, held 136,479 shares of the Parent Company FinecoBank, in relation to the incentive plans for financial advisors, corresponding to 0.02% of the shares representing the share capital, for an amount of € 1.7 million. During the first half 2022, 59,800 shares, amounting to € 0.8 million, were purchased in relation to the "2021 PFA incentive scheme" in favour of financial advisors identified as "Key Personnel" and 5,527, 3,435, 8,227 and 28,998 FinecoBank ordinary shares, held in portfolio, under the "2017 PFA Incentive System", "2018 PFA Incentive System", "2019 PFA Incentive System" and "2020 PFA Incentive System" respectively, for a total amount of € 0.6 million. Consequently, the Treasury shares reserve increased by a total of € 0.3 million with a simultaneous reduction in the Extraordinary reserve.

The "Reserve related to Equity Settled plans" increased by € 3.1 million as a result of the recognition, during the vesting period of the instruments, of the economic and equity effects, in accordance with International Financial Reporting Standard IFRS 2, of the share-based payment agreements and settled with FinecoBank ordinary shares and was used for € 0.6 million following the allocation to the financial advisors of the share tranches relating to the "Incentive System 2017 PFA", "Incentive System 2018 PFA", "Incentive System 2019 PFA" and "Incentive System 2020 PFA" plans, for a total of 46,187 FinecoBank ordinary shares.

The Valuation reserve consist of:

- € -2.1 million from the net negative valuation reserve for debt securities issued by sovereign States accounted for in "Financial assets at fair value through other comprehensive income", which recorded a negative change of € 2.5 million during the first half 2022, of which € -2.1 million related to the negative change in fair value and € - 0.4 million related to the reversal to profit and loss of the reserve at 31 December 2021 for realisations;
- € 1.8 million from the reserve for defined benefit plans, which shows a positive change of € 8.1 million in the first half 2022 due to the recognition of actuarial gains mainly related to the provision for supplementary clientele severance indemnity.

Finally, it should be noted that, pursuant to Article 6(1)(a) of Legislative Decree No. 38/2005, a portion of the year's profits corresponding to capital gains recognised in the income statement, net of the related tax charge and other than those relating to financial instruments for trading and foreign exchange and hedging transactions, which result from the application of the fair value or equity criteria, must be recorded in a reserve unavailable. This reserve was released and allocated to Extraordinary reserve in the amount of € 4.2 million, corresponding to the change in the capital gains, also due to realisation, recognised in the financial year 2021.

# 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
	06/30/2022	06/30/2022
<b>FinecoBank balances</b>	<b>1,655,777</b>	<b>197,026</b>
Effect of consolidation of Fineco AM	76,667	48,501
Dividends from Fineco AM cashed in the period	(23,164)	(23,164)
Shareholders' equity and profit attributable to minorities	-	-
<b>Balances attributable to the Group</b>	<b>1,709,280</b>	<b>222,363</b>

# Income-statement figures

## Financial margin

**Financial margin** stood at €176 million, up 19.3% compared to the first half of the previous year (+€ 28.5 million) thanks to Profits from Treasury, which amounted to € 49.4 million compared to € 23.6 million in the first half of 2021, and the net interest, which grew by 2.1% (+€ 2.6 million), thanks to the growth of the financial portfolio and loans and receivables to ordinary customers.

**Net interest** amounted to € 127 million and include income generated by securities lending activities carried out by the Parent Company's treasury, amounting to € 2.5 million (€ 2.5 million in the first half 2021).

The average gross margin on interest-earning assets stood at 0.78% (0.81% as at June 30, 2021).

**Profits from Treasury** amounted to €49.4 million and included net gains generated from the sale of securities accounted for in "Financial assets at amortised cost" of €49.1 million (€23.6 million in the first half 2021) and net gains generated from the sale of securities accounted for in "Financial assets at fair value through comprehensive income" of € 0.3 million (no sales realised in the first half 2022). The sales took place in accordance with IFRS9 and in application of the rules defined for the HTC business model.

The following table provides a breakdown of interest income by the financial assets/liabilities that gave rise to it.

(Amounts in € thousand)

Interest Income	1st Half		Changes	
	2022	2021	Amount	%
Financial assets at fair value through comprehensive income	86	499	(413)	-82.8%
Other financial assets mandatorily at fair value	2	2	-	n.a.
Financial assets at amortised cost - Debt securities issued by banks	20,284	33,956	(13,672)	-40.3%
Financial assets at amortised cost - Debt securities issued by customers	78,461	65,242	13,219	20.3%
Financial assets at amortised cost - Loans and receivables with banks	220	40	180	0.0%
Financial assets at amortised cost - Loans and receivables with customers	40,991	35,299	5,692	16.1%
Hedging derivatives	(24,796)	(16,194)	(8,602)	53.1%
Other assets	5,388	291	5,097	n.a.
Financial liabilities	8,880	6,322	2,558	40.5%
Other financial margins from Treasury activities	2,501	2,514	(13)	-0.5%
<b>Total interest income</b>	<b>132,017</b>	<b>127,971</b>	<b>4,046</b>	<b>3.2%</b>

**Interest income on Financial assets at fair value through comprehensive income** decreased due to the sale of securities realised in the second semester of 2021.

**Interest income on Financial assets at amortised 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 market rates and a reduction in volumes due to the redemption of maturing securities.

**Interest income on Financial assets at amortised cost - Debt securities issued by customers** mainly refer to interest accrued on government and supranational institution securities. The increase is mainly attributable to the growth in volumes due to purchases made in the second half of 2021 and the first half of 2022.

**Hedging derivatives** include the positive and negative differentials of derivative contracts entered into to hedge interest rate risk on loans lent to customers and debt securities accounted for in 'Financial assets at amortised cost', which provide for the payment of the fixed rate and the collection of the indexed rate, and direct funding from customers accounted for in 'Financial liabilities at amortised cost', which provide for the payment of the indexed rate and the collection of the fixed rate.

**Interest income recognised in Other assets** includes interest accrued on purchased tax credits in the amount of €5.2 million (€0.3 million in the first semester of 2021) and interest accrued on sight receivables from banks recognised in "Cash and cash balances" in the amount of €0.2 million (€0.03 million as at 30 June 2021).

# Income-statement figures

**Interest income recognised on Financial liabilities** mainly relates to interest accrued on the TLTRO III operation, in the amount of € 5.3 million (€ 5 million as at 30 June 2021), interest recognised on repurchase agreements made on the MTS market, in the amount of € 1.6 million (€ 1 million as at 30 June 2021) and negative interest accrued on variation margins and cash collateral in the amount of € 1.8 million (€ 0.06 million as at 30 June 2021).

**Other financial margins from Treasury activities** include income generated by securities lending activities carried out by the Parent Company's treasury.

With regard to **interest on Financial assets at amortised cost**, the table below provides a breakdown by counterparty, banks and customers, and technical form:

(Amounts in € thousand)

Breakdown of interest income	1st Half		Changes	
	2022	2021	Amount	%
<b>Interest income on loans and receivables with banks</b>	<b>220</b>	<b>40</b>	<b>180</b>	<b>n.a.</b>
- reverse repos	1	-	1	n.a.
- time deposits	219	40	179	n.a.
<b>Interest income on loans and receivables with customers</b>	<b>40,991</b>	<b>35,299</b>	<b>5,692</b>	<b>16.1%</b>
- current accounts	9,147	7,519	1,628	21.7%
- reverse repos	6,387	7,365	(978)	-13.3%
- mortgages	14,284	9,883	4,401	44.5%
- credit cards	1,951	1,982	(31)	-1.6%
- personal loans	9,205	8,529	676	7.9%
- other loans	17	21	(4)	-19.0%

**Interest income on loans and receivables with banks** showed an increase of € 0.2 million compared to the first half of 2021 due to higher interest on time deposits, due to the rate increase in the first half of 2022.

**Interest income on loans and receivables with customers** amounted to € 41 million, showing an increase of 16.1% compared to the first semester of the previous year, with a positive contribution from lending activities (mortgages, personal loans and drawdowns of overdraft facilities) thanks to the growth in volumes. On the other hand, there was a decrease in interest generated by Multiday Leverage transactions, due to the particularly complex market phase in the first half of 2022, which had an impact on customers' operations by reducing volumes.

# Income-statement figures

The following table provides a breakdown of interest expense by the financial liabilities/assets that gave rise to it.

(Amounts in € thousand)

Interest Expenses	1st Half		Changes	
	2022	2021	Amount	%
Financial liabilities at amortised cost - Deposits from banks	(51)	(106)	55	-51.9%
Financial liabilities at amortised cost - Deposits from customers	(1,094)	(834)	(260)	31.2%
Debt securities in issue	(1,567)	-	(1,567)	n.a.
Financial assets	(2,344)	(2,693)	349	-13.0%
<b>Total interest expenses</b>	<b>(5,056)</b>	<b>(3,633)</b>	<b>(1,423)</b>	<b>39.2%</b>
<b>Net interest</b>	<b>126,961</b>	<b>124,338</b>	<b>2,623</b>	<b>2.1%</b>

<b>Profits from Treasury management</b>	<b>49,446</b>	<b>23,559</b>	<b>25,887</b>	<b>109.9%</b>
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<b>Financial margin</b>	<b>176,407</b>	<b>147,897</b>	<b>28,510</b>	<b>19.3%</b>
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**Interest expenses on Debt Securities in issue** refers to interest accrued on the Senior Preferred Bond issued by FinecoBank in October 2021.

**Interest expenses on financial assets** mainly refer to negative interest recognised on cash collateral paid for transactions in derivatives and financial markets and to negative interest recognised on securities owned.

With regard to **interest on financial liabilities at amortised cost**, the table below provides a breakdown by counterparty, banks and customers, and technical form:

(Amounts in € thousand)

Breakdown of interest expenses	1st Half		Changes	
	2022	2021	Amount	%
<b>Interest expenses on deposits from banks</b>	<b>(51)</b>	<b>(106)</b>	<b>55</b>	<b>-51.9%</b>
- current accounts	(3)	(50)	47	-94.0%
- other loans	(5)	(10)	5	-50.0%
- lease liabilities	(43)	(46)	3	-6.5%
<b>Interest expenses on deposits from customers</b>	<b>(1,094)</b>	<b>(834)</b>	<b>(260)</b>	<b>31.2%</b>
- current accounts	(655)	(389)	(266)	68.4%
- lease liabilities	(439)	(445)	6	-1.3%

**Interest expenses on deposits from banks** didn't show significant changes compared to the first half of 2021.

**Interest expenses on deposits from customers** amounted to € 1.1 million, up by € 0.3 million compared to the same period of previous year, due to higher interest expenses on customer current accounts in currencies other than euro.

# Income-statement figures

## Income from brokerage and other income

(Amounts in € thousand)

	1st Half		Changes	
	2022	2021	Amounts	%
Financial margin	176,407	147,897	28,510	19.3%
Dividends and other income from equity investments	(148)	-	(148)	n.a.
Net fee and commission income	232,514	214,346	18,168	8.5%
Net trading, hedging and fair value income	54,843	40,571	14,272	35.2%
Net other expenses/income	416	644	(228)	-35.4%
<b>REVENUES</b>	<b>464,032</b>	<b>403,458</b>	<b>60,574</b>	<b>15.0%</b>

## Dividends and other income from equity investments

**Dividends and other income from equity investments** include only the negative effect recognised in the income statement for the first half 2022 following the equity valuation of Hi-MTF Sim S.p.A., a company subject to significant influence.

## Net fee and commission income

(Amounts in € thousand)

Management reclassification	1st half		Changes	
	2022	2021	Amount	%
<b>Brokerage</b>	<b>56,868</b>	<b>69,674</b>	<b>(12,806)</b>	<b>-18.3%</b>
<i>of which:</i>				
- Equity	46,478	60,729	(14,251)	-23.5%
- Bond	3,597	3,076	521	16.9%
- Derivatives	6,282	5,107	1,175	23.0%
- Other commissions	511	762	(251)	-32.9%
<b>Investing</b>	<b>149,317</b>	<b>122,240</b>	<b>27,077</b>	<b>22.2%</b>
<i>of which:</i>				
- Placement fees	3,068	3,853	(785)	-20.4%
- Management fees	184,977	150,938	34,039	22.6%
- Other	-	635	(635)	-100.0%
- Other to PFA	(38,728)	(33,186)	(5,542)	16.7%
<b>Banking</b>	<b>26,920</b>	<b>22,697</b>	<b>4,223</b>	<b>18.6%</b>
<b>Other</b>	<b>(591)</b>	<b>(265)</b>	<b>(326)</b>	<b>123.0%</b>
<b>Total</b>	<b>232,514</b>	<b>214,346</b>	<b>18,168</b>	<b>8.5%</b>

**Net commissions** increased by € 18.2 million compared to the first half of previous year, mainly thanks to the fees and commissions generated by the Investing segment (+€ 27.1 million), thanks to the increased contribution of Fineco AM, to volume growth and higher net margins on assets under management. In the first half of 2022, the subsidiary Fineco AM generated net fee and commission income of € 65.8 million. With regard to the net fee and commission income generated by the Banking segment (+€ 4.2 million), while net commissions related to Brokerage decreased (-€ 12.8 million), due to a different market environment in terms of volume and volatility, while still maintaining a high value thanks to the increase in the customer base operating on the Bank's platform and the review of the offer.

**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 derivative contracts and the exchange differences on assets and liabilities denominated in currency, that was up € 5.8 million compared to the first semester of the previous year.

# Income-statement figures

This item also includes the ineffectiveness component of hedging transactions, amounting to € 11.7 million (€ 1.5 million in the first half of 2021), determined by the application of different curves for the fair value measurement of hedging derivatives and hedged items as part of fair value hedges, and the value hedge, and the income components generated by the financial instruments accounted for in "Other financial assets mandatorily at fair value" in the amount of -€ 0.5 million (+€ 0.9 million in the first half of 2021), including Visa INC Class 'C' preferred shares and the exposure in equity securities recognised against the contributions paid to the Voluntary Scheme set up by the Interbank Deposit Protection Fund Deposits and the UCITS held by the subsidiary Fineco AM.

**Net other expenses/income** is positive for € 0.4 million and shows no significant changes compared to the first half 2021.

## Operating costs

(Amounts in € thousand)

	1st Half		Changes	
	2022	2021	Amount	%
Staff expenses	(57,538)	(52,884)	(4,654)	8.8%
Other administrative expenses	(134,364)	(128,028)	(6,336)	4.9%
Recovery of expenses	69,063	67,470	1,593	2.4%
Impairment/write-backs on intangible and tangible assets	(13,191)	(12,662)	(529)	4.2%
<b>Total operating costs</b>	<b>(136,030)</b>	<b>(126,104)</b>	<b>(9,926)</b>	<b>7.9%</b>

**Operating costs** show an increase compared to the previous semester of 2021 (+7.9%), growth that is due to the expansion of the business (activities, assets, customers, structure and staff), certified by the cost/income ratio, which stood at 29.3% (31.3% at 30 June 2021).

**Staff expenses** amounted to € 57.5 million, of which € 5.4 million relating to staff expenses of Fineco AM, increasing by 8.8% compared to the first half of previous year, due to continuous growth of the operating structure. In fact, the number of employees rose from 1,280 resources as at June 30, 2021 to 1,316 resources as at June 30, 2022.

(Amounts in € thousand)

Staff expenses	1st Half		Changes	
	2022	2021	Amount	%
<b>1) Employees</b>	<b>(56,473)</b>	<b>(51,811)</b>	<b>(4,662)</b>	<b>9.0%</b>
- wages and salaries	(38,555)	(35,533)	(3,022)	8.5%
- social security contributions	(9,148)	(8,864)	(284)	3.2%
- provision for employee severance pay	(381)	(374)	(7)	1.9%
- allocation to employee severance pay provision	(57)	(85)	28	-32.9%
- payment to supplementary external pension funds:	(2,661)	(2,525)	(136)	5.4%
a) defined contribution	(2,661)	(2,525)	(136)	5.4%
- costs related to share-based payments*	(2,491)	(2,151)	(340)	15.8%
- other employee benefits	(3,180)	(2,279)	(901)	39.5%
<b>2) Directors and statutory auditors</b>	<b>(1,068)</b>	<b>(1,072)</b>	<b>4</b>	<b>-0.4%</b>
<b>3) Recovery of expenses for employees seconded to other companies</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>n.a.</b>
<b>4) Recovery of expenses for employees seconded to the company</b>	<b>-</b>	<b>(4)</b>	<b>4</b>	<b>-100.0%</b>
<b>Total staff expenses</b>	<b>(57,538)</b>	<b>(52,884)</b>	<b>(4,654)</b>	<b>8.8%</b>

It should be noted that the item "other employee benefits" includes the cost of luncheon vouchers, which increased by €0.3 million as a result of the gradual return to attendance.

# Income-statement figures

(Amounts in € thousand)

Other Administrative Expenses and Recovery of expenses	1st Half		Changes	
	2022	2021	Amount	%
<b>1) INDIRECT TAXES AND DUTIES</b>	<b>(71,723)</b>	<b>(70,307)</b>	<b>(1,416)</b>	<b>2.0%</b>
<b>2) MISCELLANEOUS COSTS AND EXPENSES</b>				
<b>A) Advertising expenses - Marketing and communication</b>	<b>(13,720)</b>	<b>(11,370)</b>	<b>(2,350)</b>	<b>20.7%</b>
Mass media communications	(11,893)	(10,002)	(1,891)	18.9%
Marketing and promotions	(1,611)	(1,187)	(424)	35.7%
Sponsorships	(212)	(174)	(38)	21.8%
Conventions and internal communications	(4)	(7)	3	-42.9%
<b>B) Expenses related to credit risk</b>	<b>(819)</b>	<b>(764)</b>	<b>(55)</b>	<b>7.2%</b>
Credit recovery expenses	(183)	(174)	(9)	5.2%
Commercial information and company searches	(636)	(590)	(46)	7.8%
<b>C) Indirect expenses related to personnel and to personal financial advisors</b>	<b>(1,290)</b>	<b>(1,514)</b>	<b>224</b>	<b>-14.8%</b>
Other staff expenses	(333)	(409)	76	-18.6%
Personal financial advisors expenses	(957)	(1,105)	148	-13.4%
<b>D) ICT expenses</b>	<b>(25,904)</b>	<b>(23,797)</b>	<b>(2,107)</b>	<b>8.9%</b>
Lease of ICT equipment and software	(1,162)	(1,568)	406	-25.9%
Software expenses: lease and maintenance	(6,593)	(5,946)	(647)	10.9%
ICT communication systems, messaging and phone expenses	(3,111)	(2,904)	(207)	7.1%
Consultancy and ICT services provided by third parties	(6,711)	(6,343)	(368)	5.8%
Financial information providers	(8,327)	(7,036)	(1,291)	18.3%
<b>E) Consultancies and professional services</b>	<b>(2,145)</b>	<b>(2,275)</b>	<b>130</b>	<b>-5.7%</b>
Consultancies and professional services	(1,782)	(1,503)	(159)	13.4%
Legal expenses and disputes	(63)	(97)	(18)	n.a.
Consultancies and professional services for strategy, business development and organisational optimisation	(415)	(313)	(102)	32.6%
<b>F) Furniture, machinery and equipment expenses and Real estate expenses</b>	<b>(2,948)</b>	<b>(2,587)</b>	<b>(361)</b>	<b>14.0%</b>
Repair and maintenance of furniture, machinery, and equipment	(127)	(160)	33	-20.6%
Maintenance and cleaning of premises	(692)	(771)	(37)	7.1%
Premises rentals	(460)	(443)	(17)	3.8%
Utilities and condominium expenses	(1,669)	(1,213)	(456)	37.6%
<b>G) Other functioning costs</b>	<b>(14,836)</b>	<b>(14,289)</b>	<b>(547)</b>	<b>3.8%</b>
Postage and transport of documents	(1,596)	(1,761)	165	-9.4%
Administrative, logistic and call center services	(7,964)	(8,520)	556	-6.5%
Insurance	(2,161)	(1,937)	(224)	11.6%
Association dues and fees	(1,732)	(985)	(747)	75.8%
Other administrative expenses	(1,383)	(1,086)	(297)	27.3%
<b>H) Adjustments of leasehold improvements</b>	<b>(979)</b>	<b>(1,125)</b>	<b>146</b>	<b>-13.0%</b>
<b>I) Recovery of costs</b>	<b>69,063</b>	<b>67,470</b>	<b>1,593</b>	<b>2.4%</b>
Recovery of ancillary expenses	679	23	656	n.a.
Recovery of taxes	68,384	67,447	937	1.4%
<b>Total other administrative expenses and recovery of expenses</b>	<b>(65,301)</b>	<b>(60,558)</b>	<b>(4,743)</b>	<b>7.8%</b>

**Other administrative expenses** net of **Recovery of expenses** came to € 65.3 million, with an increase of € 4.7million compared to the first half of previous year. As described above, the increase is mainly due to expenses closely related to the growth of the business, including:

- “ICT expenses” for € 2.1 million, among which it is highlighted the increase in “Financial information providers” for € 1.3 million, functional to the Group’s operations;
- “Advertising expenses - Marketing and communication”, for € 2.4 million.



# Income-statement figures

The item "Indirect taxes and duties", net of "Tax recoveries", increased by € 0.5 million, mainly due to higher charges for Tobin tax and municipal taxes.

**Impairment/write-backs on intangible and tangible assets** show an increase of € 0.5 million mainly referred to the depreciation recognized on electronic machinery and software.

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

(Amounts in € thousand)

	1st Half		Changes	
	2022	2021	Amount	%
<b>OPERATING PROFIT (LOSS)</b>	<b>328,002</b>	<b>277,354</b>	<b>50,648</b>	<b>18.3%</b>
Net impairment losses on loans and provisions for guarantees and commitments	(1,225)	(1,688)	463	-27.4%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>326,777</b>	<b>275,666</b>	<b>51,111</b>	<b>18.5%</b>
Other charges and provisions	(12,498)	(14,023)	1,525	-10.9%
Net income from investments	(754)	1,239	(1,993)	-160.9%
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>313,525</b>	<b>262,882</b>	<b>50,643</b>	<b>19.3%</b>

**Net write-downs of loans and provisions for guarantees and commitments** in the first half 2022 amounted to -€ 1.2 million (-€ 1.7 million in the first half 2021).

**Other charges and provisions** amounted to € 12.5 million, down 10.9% on the first half 2021, as a result of lower net provisions for litigation. It should be noted that during the first half 2022, the ordinary annual contribution required for the year 2022, in accordance with Directive 2014/59/EU (Single Resolution Fund), was recognised in the amount of € 7.6 million (€ 5.8 million in first half 2021). It is recalled that during the first half 2021 the Bank of Italy called in additional contributions to the National Resolution Fund pursuant to Article 1, paragraph 848 of Law 208/2015; for an amount of € 1.9 million.

**Net income from investments** amounted to -€ 0.8 million, showing a decrease of € 2 million compared to the first half of 2021. It should be noted that in the first half 2021, the updated macroeconomic scenarios had resulted a positive effect of approximately € 2.3 million.

**Profit (loss) before tax from continuing operations** amounted to € 313.5 million, increasing by 19.3% on the same period of the previous year. The result was achieved, mainly, thanks to the increase in Financial Margin (+€ 28.5 million), in Net commissions (+€ 18.2 million), in Net trading, hedging and fair value income (+€ 14.3 million), partially offset by the reduction, by higher Operating Cost (+€ 9.9 million). Excluding non-recurring items in the first half 2022 as previously described<sup>18</sup>, Profit before tax from continuing operations would have been € 313.8 million, up 19.4% compared to the same period of previous year (also net of non-recurring items<sup>19</sup>).

<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 -€ 0.3 million (gross of tax effect).

<sup>19</sup> No significant changes in fair value were recognised in the first half of 2021 with respect to the equity exposure to the Voluntary Scheme established by the Interbank Deposit Protection Fund

# Income-statement figures

## Income tax for the year

(Amounts in € thousand)

Income tax for the period	1st Half		Changes	
	2022	2021	Amount	%
Current IRES income tax charges	(68,813)	(59,467)	(9,346)	15.7%
Current IRAP corporate tax charges	(15,635)	(13,389)	(2,246)	16.8%
Current foreign corporate tax charges	(6,943)	(4,424)	(2,519)	56.9%
<b>Total current tax</b>	<b>(91,391)</b>	<b>(77,280)</b>	<b>(14,111)</b>	<b>18.3%</b>
Change in deferred tax assets	606	9,993	(9,387)	-93.9%
Change in deferred tax liabilities	(377)	23,746	(24,123)	-101.6%
<b>Total deferred tax liabilities</b>	<b>229</b>	<b>33,739</b>	<b>(33,510)</b>	<b>-99.3%</b>
Substitute tax	-	(2,671)	2,671	-100.0%
<b>Income tax for the period</b>	<b>(91,162)</b>	<b>(46,212)</b>	<b>(44,950)</b>	<b>97.3%</b>

**Income tax for the period** 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. In particular, in 2019 the decree issued by the Italian Ministry of the Economy and Finance on 5 August 2019, of coordination between international accounting standards and business income, and the subsequent amendment introduced by the law were implemented 160/2019 on the deductibility of adjustments to customer loans, to be carried out in future tax periods, were implemented. Lastly, the Bank took into account of the recently issued provisions pursuant to Law Decree 30 April 2019, n. 34 converted with amendments by the law of 28 June 2019, n. 58 (so-called Growth Decree) and by Article 42 of Decree-Law No. 17 of 1 March 2022 converted with amendments by Law No. 34 of 27 April 2022.

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.

With reference to the Patent Box pursuant to former Law 190/2014, as amended by Article 5 of Law Decree no. 3/2015, after having claimed the tax benefit for the five-year period 2015-2019 following an agreement with the Revenue Agency in 2020 for the trademark and certain software, taking into account the acceptance of the renewal request for the subsequent five-year period 2020-2024 and pending the definition of the envisaged ruling agreement, in the 2022 financial year the estimated benefit envisaged with regard to software was recognised on an accrual basis - given the exclusion of the trademark by express regulatory provision.

It should be noted that in 2021 FinecoBank exercised the option to realign goodwill pursuant to Article 110 of Legislative Decree 104/2020, an operation that resulted in the cancellation of deferred taxes of € 24.5 million and the recognition of deferred tax assets of € 10.2 million, in addition to the payment of the substitute tax of € 2.7 million for the realignment of goodwill, with a positive effect in taxes for the first half of first half of 2021 of € 32 million. Starting in the financial year 2021, the amortisation plan for goodwill began for a portion equal to one fiftieth of the realigned amount. In the half-year financial statements as at 30 June 2022, the amortisation of the realigned goodwill was charged for the accrued portion.

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

The **Net profit for the period** – which is the same as the net profit attributable to the Group as Fineco AM is 100% controlled by the Bank – amounted to € 222.4 million, with an increase of 2.6% on the first half 2021. Excluding the non-recurring items accounted for in first half 2022 mentioned before<sup>20</sup> the Net profit for the period should be € 222.6 million, up 20.5% compared to the net profit of 2021 net of non-recurring items<sup>21</sup>.

<sup>20</sup> Change in the fair value and cancellation of the equity exposure to the Voluntary Scheme established by the Interbank Deposit Protection Fund in the amount of € -0.2 million (net of tax effect).

<sup>21</sup> Tax benefit arising from the tax realignment of goodwill carried out by FinecoBank, as provided for by Article 110 of Legislative Decree 104 of 2020, in the amount of € 32 million.

# 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 first half 2021 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		
	06/30/2022	12/31/2021	06/30/2021
No. Employees	1,266	1,261	1,242
No. Personal financial advisors	2,887	2,790	2,731
No. Financial shops <sup>1</sup>	423	424	414

(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 as at		Changes	
	06/30/2022	12/31/2021	Amounts	%
Loans receivable with ordinary customers <sup>1</sup>	5,734,337	5,416,604	317,733	5.9%
Total assets	36,003,414	33,819,559	2,183,855	6.5%
Direct deposits <sup>2</sup>	30,518,392	29,495,292	1,023,100	3.5%
Assets under administration <sup>3</sup>	72,285,865	78,420,121	(6,134,256)	-7.8%
Total customers sales (direct and indirect)	102,804,257	107,915,413	(5,111,156)	-4.7%
Shareholders' equity	1,655,777	1,698,631	(42,854)	-2.5%

(1) Loans receivable 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;

(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	
	06/30/2022	12/31/2021
Loans receivable with ordinary customers/Total assets	15.93%	16.02%
Loans and receivables with banks/Total assets	1.07%	1.09%
Financial assets/Total assets	70.26%	72.63%
Direct sales/Total liabilities and Shareholders' equity	84.77%	87.21%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	4.60%	5.02%
Ordinary customer loans/Direct deposits	18.79%	18.36%

Credit quality	Data as at	
	06/30/2022	12/31/2021
Non-performing loans/Loans receivable with ordinary customers	0.08%	0.08%
Bad loans/Loans receivable with ordinary customers	0.04%	0.04%
Coverage <sup>1</sup> - Bad loans	88.93%	88.70%
Coverage <sup>1</sup> - Unlikely to pay	65.65%	66.10%
Coverage <sup>1</sup> - Impaired past-due exposures	55.48%	50.05%
Coverage <sup>1</sup> - Total Non-performing loans	82.56%	82.15%

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

### Own funds and capital ratios

	Data as at	
	06/30/2022	12/31/2021
Common Equity Tier 1 Capital (€ thousand)	875,238	840,053
Total Own Funds (€ thousand)	1,375,238	1,340,053
Total risk-weighted assets (€ thousand)	4,783,462	4,576,088
Ratio - Common Equity Tier 1 Capital	18.30%	18.36%
Ratio - Tier 1 Capital	28.75%	29.28%
Ratio - Total Own Funds	28.75%	29.28%

	Data as at	
	06/30/2022	12/31/2021
Tier 1 Capital (€ thousand)	1,375,238	1,340,053
Exposure for leverage (€ thousand)	37,311,700	33,997,696
Leverage ratio	3.69%	3.94%

# Results of the parent and the subsidiary

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

The Bank's prudential requirements as at 30 June 2022 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 amending their content, in particular Directive (EU) 878/2019 (CRD V), Regulation (EU) 876/2019 (CRR II) and Regulation (EU) 873/2020 of the European Parliament and of the Council (CRR Quick-fix), which transpose into the European Union the standards defined by the Basel Committee on Banking Supervision (Basel III framework), collected and implemented by the Bank of Italy through Circular No. 285 of 17 December 2013 "Supervisory Provisions for Banks" and subsequent updates.

As at 30 June 2022 the Own funds amounted to € 1,375.2 million, including the profit for first semester 2022, equal to € 197 million, net of dividends to be distributed totaling € 155.7 million, and foreseeable charges of € 1.5 million, represented by the coupons, net of the related taxation, accrued on the Additional Tier 1 financial instruments issued by FinecoBank, assuming that the conditions provided for in Art. 26 (2), of EU Regulation 575/2013 (CRR) are met.

The increase in Risk-Weighted Assets during the first half 2022 is mainly driven by credit risk, due to the growth of the business and, in particular, to lending to customers.

With regard to the Leverage ratio, it should be noted that the transitional treatment that allowed certain exposures to central banks to be excluded from the overall leverage exposure in light of the COVID-19 pandemic is no longer applicable as of 1 April 2022. As at 30 June 2022, the Bank's leverage ratio stood at 3.69%.

# 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	
	06/30/2022	12/31/2021	Amounts	%
Cash and cash balances	1,516,548	1,442,791	73,757	5.1%
Financial assets held for trading	20,020	20,240	(220)	-1.1%
Loans and receivables with banks	385,244	369,863	15,381	4.2%
Loans and receivables with customers	6,278,481	5,983,767	294,714	4.9%
Financial investments	25,296,891	24,563,234	733,657	3.0%
Hedging instruments	948,764	125,913	822,851	n.a.
Property, plant and equipment	144,685	149,506	(4,821)	-3.2%
Goodwill	89,602	89,602	-	n.a.
Other intangible assets	37,445	38,978	(1,533)	-3.9%
Tax assets	43,588	42,955	633	1.5%
Tax credits acquired	827,217	508,764	318,453	62.6%
Other assets	414,929	483,948	(69,019)	-14.3%
<b>Total assets</b>	<b>36,003,414</b>	<b>33,819,561</b>	<b>2,183,853</b>	<b>6.5%</b>

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at		Changes	
	06/30/2022	12/31/2021	Amounts	%
Deposits from banks	2,333,322	1,225,213	1,108,109	90.4%
Deposits from customers	30,814,330	29,835,930	978,400	3.3%
Debt securities in issue	498,833	497,266	1,567	0.3%
Financial liabilities held for trading	7,104	4,417	2,687	60.8%
Hedging instruments	2,581	65,263	(62,682)	-96.0%
Tax liabilities	118,430	34,647	83,783	241.8%
Other liabilities	573,037	458,194	114,843	25.1%
Shareholders' equity	1,655,777	1,698,631	(42,854)	-2.5%
- capital and reserves	1,458,925	1,335,907	123,018	9.2%
- revaluation reserves	(174)	(5,877)	5,703	-97.0%
- net profit	197,026	368,601	(171,575)	-46.5%
<b>Total liabilities and Shareholders' equity</b>	<b>36,003,414</b>	<b>33,819,561</b>	<b>2,183,853</b>	<b>6.5%</b>

# Results of the parent and the subsidiary

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

### Balance sheet - Quarterly data

(Amounts in € thousand)

ASSETS	Amounts as at				
	06/30/2022	03/31/2022	12/31/2021	09/30/2021	06/30/2021
Cash and cash balances	1,516,548	1,724,296	1,442,791	1,998,227	1,847,506
Financial assets held for trading	20,020	20,123	20,240	23,589	21,393
Loans and receivables with banks	385,244	365,874	369,863	370,527	380,306
Loans and receivables with customers	6,278,481	6,054,220	5,983,767	5,612,831	5,246,491
Financial investments	25,296,891	25,371,271	24,563,234	24,424,488	24,629,068
Hedging instruments	948,764	465,840	125,913	91,929	85,051
Property, plant and equipment	144,685	147,636	149,506	151,013	152,126
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	37,445	38,171	38,978	37,151	38,056
Tax assets	43,588	44,332	42,955	49,385	38,304
Tax credits acquired	827,217	601,178	508,764	393,970	75,065
Other assets	414,929	400,809	483,948	221,218	253,540
<b>Total assets</b>	<b>36,003,414</b>	<b>35,323,352</b>	<b>33,819,561</b>	<b>33,463,930</b>	<b>32,856,508</b>

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at				
	06/30/2022	03/31/2022	12/31/2021	09/30/2021	06/30/2021
Deposits from banks	2,333,322	1,808,046	1,225,213	1,168,613	1,172,801
Deposits from customers	30,814,330	30,724,142	29,835,930	29,794,672	29,131,839
Debt securities in issue	498,833	498,045	497,266	-	-
Financial liabilities held for trading	7,104	9,666	4,417	6,234	4,937
Hedging instruments	2,581	(754)	65,263	90,522	118,586
Tax liabilities	118,430	85,784	34,647	70,495	34,387
Other liabilities	573,037	396,147	458,194	415,293	530,431
Shareholders' equity	1,655,777	1,802,276	1,698,631	1,918,100	1,863,527
- capital and reserves	1,458,925	1,705,199	1,335,907	1,667,333	1,665,819
- revaluation reserves	(174)	(2,097)	(5,877)	(3,175)	(1,863)
- net profit	197,026	99,174	368,601	253,942	199,571
<b>Total liabilities and Shareholders' equity</b>	<b>36,003,414</b>	<b>35,323,352</b>	<b>33,819,561</b>	<b>33,463,929</b>	<b>32,856,508</b>

**Cash and cash balances**, amounting to € 1,516.5 million as at June 30, 2022 (€ 1,442.8 million as at December 31, 2021), consisted mainly of the liquidity deposited in the HAM (Home Accounting Model) account, used to manage short-term liquidity, and TIPS (Target Instant Payment Settlement) with the Bank of Italy, for a total amount of € 1,252.2 million, as well as liquidity deposited on current accounts with credit institutions for the settlement of payment transactions, for the settlement of securities transactions, for the management of the liquidity of UK customers, for an amount of € 264.3 million. The increase over December 31, 2021, for an amount of € 73.8 million, is mainly attributable to the increase in cash held at other banking institutions.

**Loans and receivables with banks**, came to € 385.2 million, show an increase of € 15.4 million compared to December 31, 2021 and are represented by minimum reserve at Bank of Italy and from deposits with banks.

# Results of the parent and the subsidiary

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

**Loans and receivables with customers** came to € 6,278.5 million, show an increase of € 294,7 million compared to December 31, 2021 thanks to the increase in lending activity. During the first half 2022, € 142 million in personal loans and € 259 million in mortgages were granted and € 679 million in current account overdrafts were arranged, with an increase in exposures in current account of € 157.7 million. Impaired loans net of impairment losses totalled € 4.3 million (€ 4.4 million as at December 31, 2021), with a coverage ratio of 82.6%.

**Financial investments** came to € 25,296.9 million, up € 733.7 million compared to December 31, 2021, and include the negative valuation of fixed-rate securities specifically hedged against interest rate risk, attributable to the growth of the Euribor-based curve used for the fair value measurement of the hedged items with reference to the hedged risk. The carrying amount of the debt securities issued by the UniCredit S.p.A. amount to € 2,376.5 million, down compared to € 3,856.4 million as at December 31, 2021 due to the repayment of securities maturing during the first half 2022. The purchases made by the Bank during the first half 2022 mainly concerned securities issued by sovereign States (mainly Italy, Spain and France).

**Hedges recognised as assets** in the balance sheet amounted to € 948.8 million, an increase of € 822.9 million compared to 31 December 2021, and include the positive fair value valuation of hedging derivatives and the value adjustment of assets subject to generic hedging, represented by fixed-rate mortgages. **Hedges recognised as liabilities** in the balance sheet amounted to € 2.6 million, a decrease of € 62.7 million compared to 31 December 2021, and include the negative fair value measurement of hedging derivatives and the value adjustment of liabilities subject to generic hedging, represented by direct funding from customers. The positive change from 31 December 2021 is attributable to the increase in the fair value of derivative contracts hedging securities and mortgages, which provide for the payment of the fixed rate and the collection of the indexed rate, as a result of the increase in the Euribor-based curve, partially offset by the decrease in the fair value of derivative contracts to hedge direct funding from customers, which, on the contrary, provide for the payment of the indexed rate and the collection of the fixed rate. The valuation of the hedged items, as a result, evolved in the opposite direction, recording a negative change in assets subject to generic hedging represented by mortgages and a positive change in the liabilities subject to generic hedging. It should be noted that the negative change recorded by securities specifically hedged, is shown in Financial investments item, as described above.

**Tax credits acquired** include the carrying amount of tax credits purchased during the first half 2022 financial year under Decree-Law 34/2020, for a carrying amount of € 827.2, up from € 508.8 million outstanding as of December 31, 2021 due to purchases made in the first half of 2022. They include both tax credits purchased as a result of assignment by direct beneficiaries and purchased as a result of assignment by previous purchasers.

**Deposits from banks** totaled € 2,333.3 million, showing an increase of € 1,108.1 million compared to December 31, 2021, mainly attributable to the increase in variation margins received for derivative transactions (+ € 1,147.4 million), due to the effect of the positive change in fair value recorded by hedging derivative contracts, as previously described.

**Deposits from customers** came to € 30,814.3 million, showing an increase of € 978.4 million compared to December 31, 2021, due to the growth in direct deposits on current accounts from customers.

**Debt securities in issue**, amounting to € 498.8 million, exclusively include the Senior Preferred Bond issued by FinecoBank in October 2021.

**Shareholders' equity** amounted to € 1,655.8 million, showing a decrease of € 42.9 million compared to December 31, 2021, mainly attributable to the distribution of dividends resolved by the Shareholders' Meeting of April 28, 2022, for a total amount of € 237.9 million, partially offset by the profit for the period, amounting to € 197 million. In addition, it should be noted that during the first half of 2022, coupons paid on AT1 instruments issued by FinecoBank were recognized, the amount of which, net of the related taxation, resulted in a reduction in shareholders' equity of € 9.9 million; treasury shares were purchased in connection with the "2021 PFA Incentive System" in favor of financial advisors identified as "Most Relevant Personnel," which resulted in a reduction in shareholders' equity of € 0.8 million; changes in the Valuation Reserve were recognized for a net positive amount of € 5.7 million; the Reserve related to Equity Settled plans was increased by € 3.1 million as a result of the recognition, during the vesting period of the instruments, of the economic and equity effects, in accordance with International Financial Reporting Standard IFRS 2, of share-based payment agreements and settled with FinecoBank ordinary shares.



# Results of the parent and the subsidiary

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

### Income Statement

(Amounts in € thousand)

	1st half		Changes	
	2022	2021	Amounts	%
Financial margin	176,618	148,011	28,607	19.3%
of which Net interest	127,172	124,452	2,720	2.2%
of which Profits from Treasury	49,446	23,559	25,887	109.9%
Dividends and other income from equity investments	23,016	13,704	9,312	68.0%
Net fee and commission income	166,673	173,469	(6,796)	-3.9%
Net trading, hedging and fair value income	55,001	40,563	14,438	35.6%
Net other expenses/income	737	698	39	5.6%
<b>REVENUES</b>	<b>422,045</b>	<b>376,445</b>	<b>45,600</b>	<b>12.1%</b>
Staff expenses	(52,115)	(49,603)	(2,512)	5.1%
Other administrative expenses	(130,268)	(125,940)	(4,328)	3.4%
Recovery of expenses	69,063	67,470	1,593	2.4%
Impairment/write-backs on intangible and tangible assets	(12,993)	(12,533)	(460)	3.7%
<b>Operating costs</b>	<b>(126,313)</b>	<b>(120,606)</b>	<b>(5,707)</b>	<b>4.7%</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>295,732</b>	<b>255,839</b>	<b>39,893</b>	<b>15.6%</b>
Net impairment losses on loans and provisions for guarantees and commitments	(1,219)	(1,689)	470	-27.8%
<b>NET OPERATING PROFIT (LOSS)</b>	<b>294,513</b>	<b>254,150</b>	<b>40,363</b>	<b>15.9%</b>
Other charges and provisions	(12,498)	(14,023)	1,525	-10.9%
Net income from investments	(754)	1,239	(1,993)	-160.9%
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>281,261</b>	<b>241,366</b>	<b>39,895</b>	<b>16.5%</b>
Income tax for the period	(84,235)	(41,795)	(42,440)	101.5%
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>197,026</b>	<b>199,571</b>	<b>(2,545)</b>	<b>-1.3%</b>

# Results of the parent and the subsidiary

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

### Income Statement - Quarterly data

(Amounts in € thousand)

	2022	
	1st Quarter	2nd Quarter
Financial margin	107,548	69,070
of which Net interest	59,434	67,738
of which Profits from Treasury	48,114	1,332
Dividends and other income from equity investments	(45)	23,061
Net fee and commission income	86,016	80,657
Net trading, hedging and fair value income	28,994	26,007
Net other expenses/income	525	212
<b>REVENUES</b>	<b>223,038</b>	<b>199,007</b>
Staff expenses	(25,844)	(26,271)
Other administrative expenses	(67,349)	(62,919)
Recovery of expenses	35,335	33,728
Impairment/write-backs on intangible and tangible assets	(6,524)	(6,469)
<b>Operating costs</b>	<b>(64,382)</b>	<b>(61,931)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>158,656</b>	<b>137,076</b>
Net impairment losses on loans and provisions for guarantees and commitments	(795)	(424)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>157,861</b>	<b>136,652</b>
Other charges and provisions	(10,239)	(2,259)
Net income from investments	(553)	(201)
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>147,069</b>	<b>134,192</b>
Income tax for the period	(47,895)	(36,340)
<b>NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>99,174</b>	<b>97,852</b>

# Results of the parent and the subsidiary

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

(Amounts in € thousand)

	2021			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Financial margin	75,117	72,894	69,326	63,019
of which Net interest	61,869	62,583	61,885	61,878
of which Profits from Treasury	13,248	10,311	7,441	1,141
Dividends and other income from equity investments	-	13,704	-	47,844
Net fee and commission income	88,986	84,483	85,651	93,520
Net trading, hedging and fair value income	23,889	16,674	15,617	18,119
Net other expenses/income	550	148	(1,385)	(201)
<b>REVENUES</b>	<b>188,542</b>	<b>187,903</b>	<b>169,209</b>	<b>222,301</b>
Staff expenses	(24,557)	(25,046)	(25,093)	(26,751)
Other administrative expenses	(61,848)	(64,092)	(62,302)	(69,554)
Recovery of expenses	32,367	35,103	35,751	36,250
Impairment/write-backs on intangible and tangible assets	(6,212)	(6,321)	(6,373)	(7,054)
<b>Operating costs</b>	<b>(60,250)</b>	<b>(60,356)</b>	<b>(58,017)</b>	<b>(67,109)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>128,292</b>	<b>127,547</b>	<b>111,192</b>	<b>155,192</b>
Net impairment losses on loans and provisions for guarantees and commitments	(477)	(1,212)	(359)	393
<b>NET OPERATING PROFIT (LOSS)</b>	<b>127,815</b>	<b>126,335</b>	<b>110,833</b>	<b>155,585</b>
Other charges and provisions	(8,236)	(5,787)	(31,058)	(4,857)
Net income from investments	(583)	1,822	280	(440)
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>118,996</b>	<b>122,370</b>	<b>80,055</b>	<b>150,288</b>
Income tax for the period	(38,380)	(3,415)	(25,684)	(35,629)
<b>NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>80,616</b>	<b>118,955</b>	<b>54,371</b>	<b>114,659</b>

**Revenues** amounted to € 422 million, registering an increase of 12.1% compared to the € 376.4 million recorded in the same period of 2021, mainly thanks to the contribution of Financial margin, Dividends and other income from equity investments, Net fee and commission income and Net trading, hedging and fair value income.

**Financial margin** shows an increase of 19.3% compared to the first half of previous year (+ € 28.6 million) thanks to Profits from Treasury, amounting to € 49.4 million compared to € 26.3 million of the first half 2021, and the interest margin increased by 2.2% (+ € 2.7 million) thanks to growth in the portfolio of financial investments and loans to customers.

**Dividends and other income from equity investments** include dividends received by Fineco AM, totalling € 23.2 million (€ 13.7 million in the first half million in the first half of 2021), net of the negative effect recognised following the equity valuation of Hi-MTF Sim S.p.A. amounting to - € 0.2 million (no effect recognised in the first half of 2021).

**Net fee and commission income** showed a decrease of € 6.8 million compared to the same period of the previous year, mainly attributable to commissions related to Brokerage that showed a decrease (- € 12.8 million) due to a different market environment in terms of volumes and volatility, while still maintaining a high value thanks to the increase in the customer base operating on the Bank's platform and the review of the offering. This decrease has been partially offset by fees and commissions generated by Investing and by Banking which increased compared to the same period of the previous year by + € 2.1 million and + € 4.2 million, respectively.

**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, which shows an increase of € 5.8 million compared to the same period of previous year due to the increase in internalized volumes. The item also includes the ineffectiveness component of hedging transactions, amounting to € 11.7 million (€ 1.5 million in the first half of 2021), determined by the application of different curves for the fair value valuation of hedging derivatives and hedged items in fair value hedge transactions value hedge, and the income components generated by the financial instruments recognised in "Other financial assets mandatorily at fair value" in the amount of - € 0.4 million (+ € 0.9 million in the first half of 2021), including the

# Results of the parent and the subsidiary

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

preferred shares of Visa INC Class "C" and the exposure in equity securities recognised against the contributions paid to the Voluntary Scheme set up by the Interbank Deposit Protection Fund Deposits.

**Net other expense/ income** was positive € 0.7 million, and shows no significant changes compared to the first half of 2021.

**Operating costs** highlight an increased by € 5.7 million compared to the first half of previous year (+ € 2.5 million for "Staff expenses", + € 2.7 million for "Other administrative expenses net of Recovery of expenses" and + € 0.5 million for "Impairment/write-backs on intangible and tangible assets"). The 4.7% increase in operating costs is mainly determined by expenses closely linked to the growth of the business (assets, volumes, customers and structure), certified by a cost/income ratio of 29.9% (32% at 30 June 2021) confirming the Bank's strong operating leverage and widespread corporate culture of cost management.

**Net write-downs of loans and provisions for guarantees and commitments** in first half 2022 amounted to - € 1.2 million (- € 1.7 million in first half 2021).

**Other charges and provisions** amounted to € 12.5 million, down to 10.9% on first half 2021 due to lower net provisions for litigation. In addition, in first half 2022 the ordinary annual contribution required for the year 2022, in accordance with Directive 2014/59/EU (Single Resolution Fund), was recognized in the amount of € 7.6 million (€ 5.8 million for first half 2021), and the additional contributions to the National Resolution Fund pursuant to Article 1, paragraph 848, of Law no. 208/2015 recalled by the Bank of Italy from the banking system, in the amount of € 1.9 million.

**Net income from investments** stood at - € 0.8 million, showing a decrease of € 2 million compared to the first half 2021. It should be noted that in the first half 2021, the updated macroeconomic scenarios had led to impairment losses of approximately € 2.3 million.

**Profit before tax from continuing operations** amounted to € 281.3 million, up 16.5% compared to the same period of previous year, mainly thanks to higher Financial Margin (+ € 28.6 million), Dividends and other income from equity investments (+ € 9.3 million) and Net trading, hedging and fair value income (+ € 14.4 million), partially offset by an increase in Operating costs (+ € 5.7 million). Excluding the non-recurring items on the first half 2021 mentioned before<sup>22</sup>, the Profit before tax from continuing operations should be € 281.5 million, up 16.6% compared to the same period of 2021 net of non-recurring items<sup>23</sup>.

**Profit for the period** amounted to € 197 million, showing a decrease of 1.3% compared to € 199.6 million of the first half of previous year. Excluding the non-recurring items of first semester of 2022 mentioned before<sup>24</sup>, the Profit for the period should be € 197.2 million, up 17.7% compared to Profit for the period of the first half 2021 net of non-recurring items<sup>25</sup>.

<sup>22</sup> Change in fair value and cancellation of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 0.3 million (gross of the tax effect).

<sup>23</sup> No significant changes in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits has been booked in the first half 2021.

<sup>24</sup> Change in fair value and cancellation of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 0.2 million (net of the tax effect).

<sup>25</sup> Tax benefit arising from the tax realignment of goodwill carried out by FinecoBank, as provided for in Article 110 of Legislative Decree 104 of 2020, in the amount of € 32 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 is to offer its customers a range of UCITS products 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 assets under management managed by Fineco AM at 30 June 2022 amounted to € 24.5 billion (€ 24.8 billion as at December 31, 2021). This is broken down as per below:

- € 4.4 billion referred to Core Series (€ 5.2 billion as at December 31, 2021);
- € 14.2 billion referred to FAM Series (€ 13.8 billion as at December 31, 2021);
- € 5.9 billion referred to FAM Evolution (€ 5.8 billion as at December 31, 2021).

It should also be noted that € 14.6 billion relate to retail classes and € 9.9 billion relating to institutional classes.

As at June 30, 2022, Fineco AM has a total asset of € 89.2 million. This consists of **Loans and receivables with banks**, represented by a time deposit for an amount of € 15 million, by **Cash and Cash balances** for € 25.8 million deposited with credit institutions, and by **Loans and receivables with customers**, exclusively represented operating receivables associated with the provision of services, for an amount of € 43.9 million.

Fineco AM also holds shares in its UCITS Funds for an amount of € 0.7 million, which are recorded under "**Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value**".

**Deposits from banks** and **Deposits from customers** totalled € 24.9 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 € 11.6 million, and to investment advisors. It should be noted that the item **Deposits from customers** also includes the "Lease liabilities" from customers, amounting to € 1.9 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.

**Shareholders' equity** amounted to € 56.5 million and consists of share capital for € 3 million, of retained earnings for € 5 million and net income for the period of € 48.5 million.

In the first half of 2022 Fineco AM generated **Net commissions** for € 65.8 million (€ 153.1 million in fee and commission income and € 87.3 million in fee and commission expenses) and the **Net Profit for the period** amounted to € 48.5 million.

The number of persons employed by Fineco AM as at 30 June 2022 is 50.

# Related-party Transactions

At its meeting of December 16th, 2021 (effective January 15, 2022) 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 version of the 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);
- transactions with other relevant persons in potential conflict of interest as defined by the Bank on a self-regulatory basis, taking into account the applicable legal and regulatory provisions;
- loans granted to Directors (i.e. members of the administrative, management and control bodies) and their related parties, pursuant to art. 88 of the CRD.

Considering the above, during the first half 2022 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. For more details on transactions with related parties, please refer to Part H – Related-party transactions in the notes to the accounts.

## Transactions with Group companies

FinecoBank is Parent Company of Banking Group FinecoBank.

The following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at June 30, 2022 as well as the costs (-) and revenues (+) recorded in the first half 2022 with Fineco AM, which is the sole wholly-owned and consolidated company.

(Amounts in € thousand)

	Assets	Liabilities	Guarantees and commitments	Revenues (+)	Costs (-)
Fineco Asset Management DAC	11,905	-	-	94,555	-

It should be noted that the assets shown in the table mainly refer to current receivables associated with the provision of financial services to be collected by the subsidiary Fineco AM and recorded in "Financial assets at amortized cost". At the same time, the revenues column includes placement and management fee income paid back by the subsidiary and accounted for by the Bank during the first half 2022, in addition to the dividends recognized by Fineco AM for a total of € 23.2 million.

The following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at June 30, 2022 as well as the costs (-) and revenues (+) recorded in the first half 2022 with respect to Hi-MTF SIM S.p.A., the only investment subject to influence and consolidated using the equity method.

(Amounts in € thousand)

	Assets	Liabilities	Guarantees and commitments	Revenues (+)	Costs (-)
Hi-MTF SIM S.p.A.	-	73	-	-	(201)

The income statement and balance sheet transactions presented above originate from the agreement entered into by the Bank with Hi-Mtf Sim S.p.A. for the trading, on the Hi-Cert segment, of Turbo Certificates issued by Fineco.

Please note that the Shareholders' Meeting of Hi-Mtf SIM S.p.A. of 10 May 2022 approved the capital increase for a total amount of € 3.5 million, corresponding to a contribution of € 0.7 million for each shareholder. FinecoBank subscribed the capital increase of its own shareholding in May 2022, keeping its shareholding unchanged at 20%.

# Related-party Transactions

## Number of treasury shares of the parent company

As at 30 June 2022, the Group, specifically the Bank, held 136,479 shares of the Parent Company FinecoBank, in relation to the incentive plans in favour of financial advisors, corresponding to 0.02% of the shares representing the share capital, for an amount of € 1.7 million. During the first half 2022, 59,800 shares, amounting to €0.8 million, were purchased in relation to the "2021 PFA Incentive System" in favour of financial advisors identified as "Key Personnel" and 5,527, 3,435, 8,227 and 28,998 FinecoBank ordinary shares, held in portfolio, have been allocated under the "2017 PFA Incentive System", "2018 PFA Incentive System", "2019 PFA Incentive System" and "2020 PFA Incentive System" respectively, for a total amount of € 0.6 million.

# Subsequent events and outlook

## Subsequent events

No significant events occurred after the end of the period that would require adjustments to the results presented in the condensed consolidated interim financial statements at 30 June 2022.

## Outlook

The prospective scenario, despite a context of pressure on margins, consolidation of inflationary expectations and general uncertainty resulting from the military conflict between Russia and Ukraine and by the effects of the Coronavirus pandemic, sees the Group benefiting from two structural trends that are transforming Italian society: digitization and demand for advisory services. We are, in fact, witnessing an acceleration towards solutions that will lead to a more modern and digitised world: the management of banking services by customers will be increasingly oriented towards the use of digital platforms, favouring the Group's business model, which has always been oriented in this direction.

The effectiveness of a diversified and sustainable business model, capable of producing solid results in all market phases, is confirmed. The new contest, characterized by significant changes, represents for Fineco a boost to grow in all its business areas: from banking, which takes advantage of an increase in the net interest income, to investing, thanks to Fineco AM's contribution, and brokerage, confirming a structurally higher floor compared to pre-pandemic level. In addition, the ability to integrate all services in a unique advanced platform allows a stable and healthy Group's business development confirming an improvement both in investments on our growth and in future dividends, together with a constant commitment in sustainability.

The Group will continue to pursue its strategy based primarily on organic growth through efficient processes and quality services. The objective is to further strengthen its competitive position in the integrated banking, brokerage and investing services sector through the high quality and completeness of the financial services offered, summarised in the "one stop solution" concept, thanks also to the asset management activity carried out by Fineco AM, which will allow the Bank to be even closer to its clients' needs, more efficient in its product selection and more profitable thanks to its vertically integrated business model.

FinecoBank had a market share by Total Financial Assets ("TFA")<sup>26</sup> for 2.14% in March 2022 (last available data), with significant potential growth margins.

Considering the typical risks of the sector to which it belongs, a positive operating performance is expected for the financial year 2022, also favoured by expectations of an increase in interest rates, except in the case of the occurrence of further events of an exceptional nature or dependent on variables that are substantially beyond the control of the Directors and Management.

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<sup>26</sup> Source Bank of Italy, Bastra return flows.







## Consolidated balance sheet

(Amounts in € thousand)

Assets	06/30/2022	12/31/2021
10. Cash and cash balances	1,542,372	1,464,182
20. Financial assets at fair value through profit and loss	25,739	25,778
a) financial assets held for trading	20,020	20,240
c) other financial assets mandatorily at fair value	5,719	5,538
30. Financial assets at fair value through other comprehensive income	29,497	39,017
40. Financial assets at amortised cost	31,968,509	30,895,959
a) loans and receivables with banks	4,517,184	5,757,506
b) loans and receivables with customers	27,451,325	25,138,453
50. Hedging derivatives	1,140,627	127,448
60. Changes in fair value of portfolio hedged financial assets (+/-)	(191,863)	(1,535)
70. Equity investments	1,845	1,294
90. Property, plant and equipment	146,686	150,347
100. Intangible assets	127,127	128,686
- goodwill	89,602	89,602
110. Tax assets	44,681	42,974
a) current tax assets	1,057	-
b) deferred tax assets	43,624	42,974
130. Other assets	1,242,495	993,025
<b>Total assets</b>	<b>36,077,715</b>	<b>33,867,175</b>

## Consolidated balance sheet

(Amounts in € thousand)

Liabilities and shareholders' equity	06/30/2022	12/31/2021
10. Financial liabilities at amortised cost	33,659,760	31,570,201
a) deposits from banks	2,333,322	1,225,213
b) deposits from customers	30,827,605	29,847,722
c) debt securities in issue	498,833	497,266
20. Financial liabilities held for trading	7,104	4,417
40. Hedging derivatives	13,004	57,313
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	(10,423)	7,950
60. Tax liabilities	118,430	35,864
a) current tax liabilities	118,430	35,864
80. Other liabilities	471,231	342,844
90. Provisions for employee severance pay	4,234	5,033
100. Provisions for risks and charges:	105,095	116,756
a) commitments and guarantees given	99	52
c) other provisions for risks and charges	104,996	116,704
120. Revaluation reserves	(174)	(5,877)
140. Equity instruments	500,000	500,000
150. Reserves	785,531	650,202
160. Share premium reserve	1,934	1,934
170. Share capital	201,340	201,267
180. Treasury shares (-)	(1,714)	(1,440)
200. Net Profit (Loss) for the period	222,363	380,711
<b>Total liabilities and Shareholders' equity</b>	<b>36,077,715</b>	<b>33,867,175</b>

## Consolidated Income statement

(Amounts in € thousand)

Items	30 June 2022	30 June 2021
10. Interest income and similar revenues	129,516	125,457
of which: interest income calculated with the effective interest method	140,041	135,035
20. Interest expenses and similar charges	(5,056)	(3,633)
<b>30. Net interest margin</b>	<b>124,460</b>	<b>121,824</b>
40. Fee and commission income	457,505	420,403
50. Fee and commission expenses	(222,490)	(204,178)
<b>60. Net fee and commission income</b>	<b>235,015</b>	<b>216,225</b>
70. Dividend income and similar revenue	157	114
80. Gains (losses) on financial assets and liabilities held for trading	43,508	38,045
90. Fair value adjustments in hedge accounting	11,725	1,549
100. Gains and losses on disposal or repurchase of:	49,446	23,559
a) financial assets at amortised cost	49,137	23,559
b) financial assets at fair value through other comprehensive income	309	-
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	(547)	863
b) other financial assets mandatorily at fair value	(547)	863
<b>120. Operating income</b>	<b>463,764</b>	<b>402,179</b>
130. Impairment losses/writebacks on:	(1,931)	(414)
a) financial assets at amortised cost	(1,930)	(419)
b) financial assets at fair value through other comprehensive income	(1)	5
140. Profit/loss from contract changes without cancellation	(1)	-
<b>150. Net profit from financial activities</b>	<b>461,832</b>	<b>401,765</b>
<b>180. Net profit from financial and insurance activities</b>	<b>461,832</b>	<b>401,765</b>
190. Administrative expenses	(198,649)	(187,492)
a) staff expenses	(57,538)	(52,884)
b) other administrative expenses	(141,111)	(134,608)
200. Net provisions for risks and charges	(4,820)	(6,353)
a) provision for credit risk of commitments and financial guarantees given	(48)	(35)
b) other net provision	(4,772)	(6,318)
210. Impairment/write-backs on property, plant and equipment	(9,806)	(9,396)
220. Impairment/write-backs on intangible assets	(3,385)	(3,266)
230. Other net operating income	68,500	67,624
<b>240. Operating costs</b>	<b>(148,160)</b>	<b>(138,883)</b>
250. Profit (Loss) on equity investments	(148)	-
280. Gains (losses) on disposal of investments	1	-
<b>290. Total profit (loss) before tax from continuing operations</b>	<b>313,525</b>	<b>262,882</b>
300. Tax expense (income) of the period related to profit or loss from continuing operations	(91,162)	(46,212)
<b>310. Total profit (loss) after tax from continuing operations</b>	<b>222,363</b>	<b>216,670</b>
<b>330. Profit (loss) for the period</b>	<b>222,363</b>	<b>216,670</b>
<b>350. Profit (loss) for the period attributable to the Parent Company</b>	<b>222,363</b>	<b>216,670</b>

The comparative figures for the first half of 2021 relating to the item "of which: interest income calculated with the effective interest method" were restated consistent with the change made to the Balance Sheet Schedule introduced by the 7th update of 29 October 2021 of Circular 262 of the Bank of Italy, which provides for the recognition of current accounts and demand deposits with banks under item 10. "Cash and cash balances". In Half-year condensed consolidated financial statements as at 30 June 2021, interest accrued on on-demand loans to banks had been recognised under item "of which of which: interest income calculated with the effective interest method" in the amount of € 31 thousand.

## Consolidated Income Statement

	30 June 2022	30 June 2021
Earnings per share (euro)	0.36	0.36
Diluted earnings per share (euro)	0.36	0.36

**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	30 June 2022	30 June 2021
<b>10. Profit (Loss) of the period</b>	<b>222,363</b>	<b>216,670</b>
<b>Other income components net of taxes without reversal to the income statement</b>	<b>8,169</b>	<b>1,582</b>
70. Defined benefit plans	8,170	1,582
90. Revaluation reserve from investments accounted for using the equity method	(1)	-
<b>Other comprehensive income after tax with reclassification through profit or loss</b>	<b>(2,466)</b>	<b>(612)</b>
140. Financial assets (other equity securities) designated at fair value through other comprehensive income	(2,466)	(612)
<b>170. Total other comprehensive income net tax</b>	<b>5,703</b>	<b>970</b>
<b>180. Comprehensive income (item 10+170)</b>	<b>228,066</b>	<b>217,640</b>
<b>200. Consolidated comprehensive income attributable to Parent Company</b>	<b>228,066</b>	<b>217,640</b>

## Statement of changes in consolidated shareholders' equity

## Statement of changes in consolidated shareholders' equity at 06/30/2022

(Amounts in € thousand)

	Balance as at 12/31/2021	Change in opening balance	Balance as at 01/01/2022	Allocation of profit from previous year		Change during the year									Shareholders' equity group as at 06/30/2022	Shareholders' equity minorities as at 06/30/2022		
						Reserves	Dividends and other distributions	Changes in reserves	Shareholders' equity transactions								Comprehensive income as at 06/30/2022	
									Issues of new shares	Purchase of own shares	Distributions of extraordinary dividends	Changes in equity instruments	Own share derivatives	Stock options				Changes in ownership
Share capital:																		
- ordinary shares	201,267		201,267				73								201,340			
- other shares																		
Share premium reserve	1,934		1,934												1,934			
Reserves:																		
- from profits	613,810		613,810	142,764	(9,837)						(73)				746,664			
- others	36,392		36,392								2,475				38,867			
Revaluation reserves	(5,877)		(5,877)										5,703		(174)			
Equity instruments	500,000		500,000												500,000			
Treasury shares	(1,440)		(1,440)				576	(850)							(1,714)			
Profit (loss) for the period	380,711		380,711	(142,764)	(237,947)								222,363		222,363			
Shareholders' Equity Group	1,726,797		1,726,797		(237,947)	(9,837)	649	(850)			2,402		228,066		1,709,280			
Shareholders' Equity Minorities																		

The Shareholders' Meeting of 28 April 2022 approved the distribution of the unit dividend of €0.39, as proposed by the Board of Directors on 9 February 2022.

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

The column "Changes in reserves" includes the coupons paid on equity instruments, net of related taxes, the transaction costs directly attributable to the issue of new ordinary shares during the period, net of related taxes, as well as the portion of dividends not distributed in respect of treasury shares held by the Bank at the record date.

## Statement of changes in consolidated shareholders' equity at 06/30/2021

(Amounts in € thousand)

	Balance as at 12/31/2020	Change in opening balance	Balance as at 01/01/2021	Allocation of profit from previous year		Change during the year									Shareholders' equity group as at 06/30/2021	Shareholders' equity minorities as at 06/30/2021		
						Reserves	Dividends and other distributions	Changes in reserves	Shareholders' equity transactions								Comprehensive income as at 06/30/2021	
									Issues of new shares	Purchase of own shares	Distributions of extraordinary dividends	Changes in equity instruments	Own share derivatives	Stock options				Changes in ownership
Share capital:																		
- ordinary shares	201,153		201,153				114								201,267			
- other shares																		
Share premium reserve	1,934		1,934												1,934			
Reserves:																		
- from profits	633,306		633,306	323,571	(9,888)						(114)				946,875			
- others	31,183		31,183								2,056				33,329			
Revaluation reserves	(2,833)		(2,833)										970		(1,863)			
Equity instruments	500,000		500,000												500,000			
Treasury shares	(1,189)		(1,189)				570	(821)							(1,440)			
Profit (loss) for the period	323,571		323,571	(323,571)									216,670		216,670			
Shareholders' Equity Group	1,687,125		1,687,125		(9,888)	(9,888)	684	(821)			1,942		217,640		1,896,682			
Shareholders' Equity Minorities																		

The Shareholders' Meeting of 28 April 2021 had approved the allocation of the entire profit for the financial year 2020 to reserves, as proposed by the Board of Directors on 9 February 2021.

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.



## Consolidated cash flow statement

(Amounts in € thousand)

Items	Amount	
	30 June 2022	30 June 2021
<b>A. OPERATING ACTIVITIES</b>		
<b>1. Operations</b>	<b>411,922</b>	<b>334,029</b>
- net result of the period (+/-)	222,363	216,670
- capital gains/losses on financial assets held for trading and on assets designated at fair value through profit and loss (-/+)	(1,492)	(1,003)
- capital gains/losses on hedging operations (+/-)	9,908	(87)
- net write-offs/write-backs due to impairment (+/-)	3,290	2,301
- net write-offs/write-backs on tangible and intangible assets (+/-)	13,191	12,662
- provisions and other incomes/expenses (+/-)	11,547	12,179
-Net uncashed premiums (-)	-	-
-Other non-cashed income/insurance charges (-/+)	-	-
- not paid tax (+/-)	80,691	34,365
- disposal groups classified as held for sale (-/+)	-	-
- other adjustments (+)	72,424	56,942
<b>2. Liquidity generated/absorbed by financial assets</b>	<b>(2,300,089)</b>	<b>(1,492,297)</b>
- financial assets held for trading	5,160	(4,684)
- financial assets at fair value	-	-
- other assets mandatorily valued at fair value	(427)	4,666
-Financial assets valued at fair value with impact on overall profitability	4,721	(2,122)
- financial assets valued at amortized cost	(2,059,022)	(1,528,980)
- other assets	(250,521)	38,823
<b>3. Liquidity generated/absorbed by financial liabilities</b>	<b>2,207,245</b>	<b>1,021,650</b>
- financial liabilities valued at amortized cost	2,089,488	895,325
- financial liabilities held for trading	(515)	(177)
- financial liabilities designated at fair value	-	-
- other liabilities	118,272	126,502
<b>Net liquidity generated/absorbed by operating assets</b>	<b>319,078</b>	<b>(136,618)</b>
<b>B. INVESTMENT ACTIVITY</b>		
<b>1. Liquidity generated by</b>	<b>2</b>	<b>-</b>
- equity investments	-	-
- collected dividends on equity investments	-	-
- sells of tangible assets	2	-
- sells of intangible assets	-	-
- sales/purchases divisions	-	-
<b>2. Liquidity absorbed by:</b>	<b>(4,598)</b>	<b>(14,392)</b>
- purchases of equity investments	(700)	-
- purchases of tangible assets	(2,074)	(12,535)
- purchases of intangible assets	(1,824)	(1,857)
- purchases of subsidiaries and company branches	-	-
<b>Net liquidity generated/absorbed by investment activity</b>	<b>(4,596)</b>	<b>(14,392)</b>
<b>C. FUNDING ACTIVITIES</b>		
- issue/purchase of treasury shares	(201)	(136)
- issue/purchase of equity instruments	-	-
- distribution of dividends and other scopes	(248,432)	(10,574)
-Sale/purchase of control of third parties	-	-
<b>Net liquidity generated/absorbed by funding activities</b>	<b>(248,633)</b>	<b>(10,710)</b>
<b>NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD</b>	<b>65,849</b>	<b>(161,720)</b>

# Consolidated cash flow statement

## RECONCILIATION

(Amounts in € thousand)

Items	Amount	
	30 June 2022	30 June 2021
Cash and cash equivalent at the beginning of period	1,464,216	2,014,058
Total net liquidity generated/absorbed in the period	65,849	(161,720)
Cash and cash equivalents: effect of exchange rate variations	12,327	9,110
Cash and cash equivalent at the end of the period	1,542,380	1,861,898

Key  
(+) generated  
(-) used

The term "Cash and cash equivalents" refers to cash and claims on demand, in the technical form of current accounts and deposits, with banks and central banks accounted for in item 10 of the balance sheet assets "Cash and cash balances", excluding any impairment provisions and accruals made on financial assets.

The comparative figures as at 30 June 2021 have been restated in line with the amendment made to the Balance Sheet Schedule in order to incorporate the changes introduced by the 7th update of 29 October 2021 of Bank of Italy Circular 262, which provides for the recognition of current accounts and sight deposits with banks under item 10. "Cash and cash balances". Specifically, in the condensed consolidated financial statements as at 30 June 2021 the item "Cash and cash equivalents at the beginning of the period" and the item "Cash and cash equivalents at the end of the period" were recognised net of net of the cash equivalent liabilities recognised in liability item 10 "Financial liabilities at amortised cost: a) due to banks" in the amount of € 43,317 thousand and € 62,572 thousand, respectively. Accordingly, item '3. Liquidity generated/absorbed by financial liabilities - financial liabilities at amortised cost" and "Total net liquidity generated/absorbed during the period" were also restated.

The liquidity generated/absorbed by the Group's financial liabilities, although according to IAS 7 par. 44A is representative of flows deriving from flows deriving from financing/providing activities, is classified, consistently with the banking activity carried out and as required by Bank of Italy Circular 262/2005, as liquidity from operating activities.





## Part A – Accounting policies

### A.1 General

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

In implementation of Legislative Decree no. 38 of February 28, 2005, these Consolidated interim financial statements of the FinecoBank Banking Group (represented by the Bank and the subsidiary Fineco Asset Management DAC, hereinafter “FinecoBank Group” or “Group”) 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 and applicable to financial reports for the periods starting on or after January 1, 2022, 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 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.

In its circular 262 of December 22, 2005 as amended, the Bank of Italy laid down the formats for the consolidated financial statements and Notes to the consolidated accounts of banks and regulated financial companies that are parents of banking groups, which have been used to prepare these Consolidated interim financial statements.

#### 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);
- the documents issued by ESMA (European Securities and Markets Authority), by European Banking Authority, by European Central Bank, by Bank of Italy and by Consob that refer to the application of specific provisions in the IFRS, with particular reference to the representation of the effects deriving from the COVID-19 pandemic, from the Russia - Ukraine conflict and their impact on the valuation processes;
- the documents prepared by 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. Any discrepancies between the figures shown in the Consolidated financial statements and the notes to the accounts are solely due to roundings.

In the consolidated statement of comprehensive income, the profit (loss) for the period recognised in the consolidated income statement is added to the profit or loss for the period, in accordance with international accounting standards, as an offsetting entry to the valuation reserves, net of the related tax effect. The consolidated statement of comprehensive income is presented with separate evidence of the income components that will not be recognised in the income statement in the future and those that may otherwise be reclassified to profit or loss for the period if certain conditions are met. The statement is compared with the corresponding statement for first half of the previous year.

The statement of changes in consolidated shareholders' equity shows the composition of and changes in shareholders' equity during the semester of the Consolidated interim financial statements and the first half of the previous year.

The consolidated cash flow statement shows the cash flows during the first half of the year of the consolidated interim financial statements in an abbreviated version compared to those of the same period of previous year and has been prepared using the indirect method, whereby cash flows from operating activities are represented by the result for the period adjusted for the effects of non-monetary transactions.

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 banks' financial statements set out in the Bank of Italy's Circular 262 of 22 December 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

## Part A – Accounting policies

and the previous year, or the corresponding period of the same, are not provided. In addition, the tables in the Notes to the Accounts that do not have any significant information to be disclosed are not shown either for the reporting period or the previous year.

These Consolidated interim Financial Statements are prepared on a going concern basis, in accordance with IAS1, as there are no doubts or uncertainties about the Group's ability to continue as a going concern and operate as a going concern for the foreseeable future (at least equal to 12 months), taking into account the Group's economic and financial position and financial position.

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

### Section 3 – Consolidation Procedures and Scope

The consolidation criteria and principles adopted in the preparation of the Consolidated interim Financial Statements at June 30, 2022 are set out below.

#### Scope of consolidation

The scope of consolidation includes FinecoBank and its direct subsidiaries. There are no companies indirectly controlled by FinecoBank.

The following was used for full consolidation:

- the draft accounts at June 30, 2022 of FinecoBank S.p.A.;
- the draft accounts at June 30, 2021 of Fineco Asset Management DAC ("Fineco AM"), fully consolidated and wholly owned, prepared in accordance with IAS/IFRS where the items have been appropriately reclassified and adjusted for consolidation requirements.

Preliminary data referring to the accounting date of 31 May 2022 provided by Hi-MTF SIM S.p.A., the only investment subject to significant influence and included in the scope, were used for consolidation using the equity method.

#### Changes in the scope of consolidation

There are no changes in the scope of consolidation since December 31, 2021.

#### 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

##### Subsidiaries

The Group determines the existence of control and, consequently, the scope of consolidation by considering the following factors:

- the purpose and constitution of the investee in order to identify what the entity's objectives are, the activities that determine its returns and how those activities are governed;
- power in order to understand whether it has contractual rights that give it the ability to govern the relevant activities; for this purpose only substantive rights that provide practical capacity to govern are considered;
- exposure to variability of returns and the ability to use the power held to influence the returns to which it is exposed;
- the existence of potential "principal/agent" relationships, as defined in IFRS 10.

## Part A – Accounting policies

Where the relevant assets are governed by voting rights, the existence of control is verified by considering the voting rights, including potential ones, held and the existence of any agreements or shareholders' agreements that give the right to control the majority of the voting rights, to appoint the majority of the governing body or in any case the power to determine the financial and operating policies of the entity.

The Group differentiates between entities governed by voting rights, so-called operating entities, and entities not governed by voting rights, which include, for example, special purpose entities and investment funds.

In the case of operating entities, the following factors provide evidence of control:

- own, directly or indirectly through your subsidiaries, more than half of the voting power of an enterprise unless, in exceptional cases, it can be clearly demonstrated that such ownership does not constitute control;
- own half or less of the votes exercisable at the shareholders' meeting and have the practical ability to govern the relevant activities unilaterally through:
  - controlling more than half of the voting rights by virtue of an agreement with other investors;
  - the power to determine the financial and operating policies of the entity by virtue of a clause in the articles of association or a contract;
  - the power to appoint or remove the majority of the members of the board of directors or equivalent corporate governance body, and the management of the company is the responsibility of that board or body;
  - the power to exercise the majority of voting rights at meetings of the Board of Directors or equivalent corporate governance body, and the management of the company is the responsibility of that board or body.

Special purpose entities are considered to be subsidiaries where the Group is able to govern/manage the underlying assets concurrently with an exposure to at least 30% of the first loss risk associated with the underlying (usually coinciding with the most junior exposure classes of the liabilities issued by the SPE).

The control of investment funds is typically evidenced by the contractual right to manage the investment choices/strategies of the fund itself (either directly, by acting as asset manager, or indirectly through the ability to remove the asset manager) in conjunction with ownership of at least 30% of the exposure (combined with the units and fees received by the fund in the case where the investor is also an asset manager). In the context of funds managed by Group companies, funds in the Seed/Warehousing phase are not considered controlled. In fact, in this phase, the purpose of the fund is to invest, according to the provisions of the relative regulation, in financial and non-financial assets in order to place the units with third party investors. Consequently, it is believed that the management company is not in a position to exercise effective power due to the limited discretionary scope.

### **Associates**

An associated company is an enterprise in which the investor exercises significant influence and which is neither an exclusive subsidiary nor a joint subsidiary.

Significant influence is presumed when the Group holds, directly or indirectly, at least 20% of the capital of another company, or - albeit with a lower share of voting rights - has the power to participate in determining the financial and management policies of the investee company by virtue of particular legal ties such as participation in shareholders' agreements.

Only entities whose governance is exercised through voting rights can be classified as companies with significant influence.

## Part A – Accounting policies

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

As at 30 June 2022, the only wholly-owned subsidiary, Fineco AM, is 100% owned.

#### 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

As required by paragraph 11 of IFRS 12, it should be noted that there are no financial statements of subsidiaries used in the preparation of the consolidated interim financial statements that are dated other than the date of the consolidated financial statements.

## 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, 2022.

The Consolidated interim Financial Statements at June 30, 2022 were approved by the Board of Directors of August 2, 2022, which authorised their publication also pursuant to IAS10.

## Section 5 – Other matters

In first half 2022, the following accounting standards, amendments and interpretations, approved by the European Commission, become effective for reporting periods beginning on or after January 1, 2022:

- Amendments to IAS 16 Property, Plant and Equipment, Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Amendments to IFRS 3 Business Combinations and Annual Improvements 2018-2020 (EU Reg. 2021/1080).

Where applicable, these accounting standards, amendments and interpretations had no relevant impact on the consolidated financial statements as at June 30, 2022.

In addition, at 30 June 2022, the following accounting standards had been endorsed and are applicable no later than January 1, 2023:

- IFRS 17 - Insurance Contracts (EU Reg. 2021/2036);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (EU Reg. 2022/357);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (EU Reg. 2022/357).

Finally, on 30 June 2022, the IASB had issued the following standards and accounting interpretations or revisions thereof, the application of which is, however, still subject to the completion of the endorsement process by the competent bodies of the European Union, which is still underway:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current - Deferral of Effective Date (January 2020 and July 2020, respectively);
- Amendments to IAS 12 Income Taxes: Deferred tax relating to assets and liabilities arising from a single transaction (May 2021);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9: Comparative Information (December 2021).

The possible effects of the future adoption of these standards, interpretations and amendments, to the extent that they are applicable and relevant to the Group, are reasonably estimated to be immaterial; the related analyses, also in relation to the fact that endorsement has not yet taken place, are still to be completed.



## Part A – Accounting policies

### ***Risks, uncertainties and impacts of the Russia-Ukraine military conflict***

On Feb. 24, 2022, a military operation by Russia in Ukraine began, triggering a military conflict and an international crisis. Since February, the European Union has imposed six sanctions packages on Russia, including targeted restrictive measures (individual sanctions), economic sanctions, and diplomatic measures. The conflict has weighed on the economy in the first half of the year in Europe and beyond its borders; it has affected trade, caused material shortages, and contributed to high energy and commodity prices and a significant rise in inflation.

As described in the section "The COVID-19 pandemic and the Russian-Ukrainian conflict" reported in the Consolidated Interim Report on Operations (to which we refer for more details), despite this context of uncertainty, in the first half of 2022 there were no significant impacts for the Group either in terms of deterioration of credit exposures (migration of positions to nonperforming or increase in the credit risk of counterparties with which the Group carries out lending activities), nor in terms of liquidity management, which has remained solid and stable, and from a forward-looking perspective there are no impacts in terms of strategic orientation, objectives and business model.

The Group is not directly exposed to Russian assets affected by the conflict, and indirect exposures represented by guarantees received under of pledge-backed financing transactions (Credit Lombard and pledged overdraft) are of insignificant amount. The Group has no exposures direct in commodities and has limited exposure in rubles.

With reference to: (i) to obligations to freeze funds of sanctioned persons and entities, (ii) to restrictions on the buying and selling of certain securities because they are issued by or linked to sanctioned issuers, (iii) to restrictions on financial flows to and from Russia, both in terms of prohibition of credit exposure in favour of sanctioned entities and in terms of prohibition of accepting deposits from Russian nationals or individuals or legal entities residing in Russia, subject to specific exceptions, (iv) to the obligations to report to the competent authorities, Fineco uses safeguards to monitor the names of sanctioned individuals and entities and the ISINs of sanctioned financial instruments, necessary to initiate the consequent asset freezing activities required by the regulations. As of June 30, 2022, there are no direct or indirect exposures with individuals or entities subject to sanction measures applicable to the Bank, therefore, no asset freezing actions required by the regulations have been implemented on the individuals concerned. Finally, the Bank constantly monitors the evolution of the regulatory framework of reference through tools information that allow the timely updating of the sanction framework applicable to the Bank and the appropriate adjustment of the safeguards in place in place.

On March 14, 2022, the European Securities and Markets Authority (ESMA) published Public Statement "ESMA71-99-1864" on the impacts of the Russian-Ukrainian crisis on EU financial markets, which outlines the supervisory and coordination activities undertaken in this context and contains recommendations to issuers on the information to be disclosed when approving their 2021 financial statements and subsequent reporting financial statements. In this context, on March 18, 2022, Consob drew the attention of listed companies and other supervised issuers to the following issues coordinated in ESMA:

- disclose as soon as possible any inside information regarding the impacts of the crisis on the fundamentals, prospects and financial situation, in line with transparency obligations under the Market Abuse Regulation, unless there are conditions for delaying the publication of the same; and
- provide information (on a qualitative and quantitative basis if possible), on the current and foreseeable direct and indirect effects of the crisis on business activities, exposures to affected markets, supply chains, financial position and performance economic performance in the 2021 financial reports, if these have not yet been approved, and in the annual shareholders' meeting or otherwise in interim financial reports.

Consob expects the auditors and supervisory bodies to pay special attention to the above-mentioned issues in their audits of financial reports, having particular regard to the effects on the issuer and subsidiaries of the restrictive measures adopted by the EU.

Considering the recommendations released by the National Cybersecurity Agency, Consob recommends special attention to the assessment of cybersecurity-related risks. Finally, it points out that it is advisable to put in place adequate and effective organizational and technical measures aimed at mitigating this risk, including providing for the strengthening of information flows with the supervisory bodies.

On May 13, 2022, ESMA published Public Statement "ESMA32-63-1277" with the intent to promote transparency and consistent European-wide application of the disclosure requirements in half-yearly financial reports, with reference to the Russian invasion of Ukraine. ESMA emphasizes the need for issuers to provide information that adequately reflects the current and, if possible, anticipated impact of the Russian invasion of Ukraine on their financial position, performance, and cash flows, as well as the importance of providing information on the principal risks and uncertainties to which issuers are exposed. In addition, ESMA provides specific recommendations regarding the application of accounting standards in the context of half-yearly reporting, recalling the elements that may be impacted by the conflict and the aspects that issuers should consider in their own assessments and estimates, and to the information that issuers must provide in their interim reports, as well as their consistency with half-yearly reporting.

With reference to ICT and Cyber risks, on February 24, 2022, the CSIRT (the National Cybersecurity Agency's response team) called for raising attention and taking all measures to protect ICT assets, an alert addressed to Italian companies that have dealings with Ukrainian operators. On Feb. 28, 2022, the agency produced a new alert, this time addressed to all national digital infrastructure operators, urging them to adopt "a posture of maximum cyber defence": the offensive could in fact be directed against the coalition that has mobilized to support the attacked country. In the crosshairs, as far as Italy is concerned, are generally ministries, government agencies, and companies strategic to the national interest including financial institutions. The Group's objective is to ensure the protection of clients by guaranteeing data security, declined in its characteristics of availability, confidentiality and integrity: in light of the Russian-Ukrainian crisis on EU financial markets, special attention has been paid to the assessment of related risks. In compliance with the measures provided for by current legislation, Fineco has undertaken a series of initiatives aimed

## Part A – Accounting policies

at verifying its security posture and operational readiness also making use of the indications and recommendations suggested by the various bodies national and international bodies. Without prejudice to the fact that it has always adopted best practices in the field of security, both in terms of technical and organizational/procedural, additional mechanisms have in any case been evaluated and introduced to cope with any impacts arising from the situation contingency.

### ***Risks, uncertainties and impacts of the COVID-19 pandemic***

The first weeks of 2022 were marked by a new wave of infections in our country caused by the rapid spread of the Omicron variant. The following months saw a gradual attenuation of the contagions, and Decree-Law No. 24 of March 24, 2022, "Urgent provisions to overcome the measures to counter the spread of the COVID-19 epidemic, as a result of the termination of the state of emergency," ended on March 31, 2022, the state of emergency, which had been resolved by the Council of Ministers on January 31, 2020, and gradually extended. The rule amended the anti-Covid measures, phasing out, starting April 1, the restrictions then in place. Towards the end of the first half of the year there was a new increase in infections, the evolution of which in the near future is still difficult to predict.

As described in the section "The COVID-19 pandemic and the Russian-Ukrainian conflict" given in the Consolidated interim report on operations, to which we refer for more details, in the first half of 2022, there were no significant impacts for the Group either in terms of deterioration of credit exposures or in terms of liquidity management, which remained solid and stable, and from a forward-looking perspective there were no impacts in terms of strategic orientation, objectives and business model.

That section also provides detailed information on the calculation of the Expected Credit Loss (ECL) according to IFRS 9 from a forward-looking perspective, as well as the classification of loans and the treatment of moratoria. More details can also be found in Part E - Information on risks and related hedging policies of the notes to the accounts.

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

In accordance with IFRS and irrespective of the crisis brought about by the COVID-19 pandemic or the Russia-Ukraine military conflict, management must make judgments, estimates, and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, expenses, and revenues recognized in the financial statements, as well as on the disclosure of contingent assets and liabilities. The estimates and related assumptions, set out below, take into account all information available at the date of preparation of the half-yearly report and are based on past experience and other factors considered reasonable in the case and have been adopted to estimate the carrying value of assets and liabilities that are not readily apparent from other sources.

In the presentation of the consolidated interim financial statements at June 30, 2022, estimates have been used to support the carrying amount of some of the valuation-based items, as required by the accounting standards and regulations described above. 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 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 amounts at June 30, 2022. For some of the above items, the valuation is particularly complex given the uncertainty of the macroeconomic and market situation, characterised by significant levels of volatility in the financial parameters determining the valuation and continued high indicators of deterioration in credit quality, and, more generally, uncertainty and instability in the banking sector.

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 and information used to determine the above-mentioned values are therefore significantly affected by multiple factors, which could change rapidly in ways that are currently unforeseeable and, as a result, future effects on the estimated carrying amounts cannot be ruled out.

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;
- loans/debt securities and related adjustments and, in general, any other financial assets/liabilities. These include, but are not limited to, the risk of uncertainty in determining the parameters for a significant increase in credit risk, the inclusion of forward-looking factors, including macroeconomic factors, in determining PD and LGD, and the determination of future cash flows from impaired loans;
- employee severance pay provision and other employee and personal financial advisor benefits;

## Part A – Accounting policies

- provisions for risks and charges, the quantification of which is estimated with reference to the amount of expenditure required to meet the obligations, taking into account the actual probability of having to use resources;
- the value in use of intangible assets with an indefinite life, represented by goodwill, trademarks and domains;
- 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.

In the first half of 2022 there was no significant deterioration in the Group's loan portfolio of loans to ordinary customers. In fact, the latter consists mainly of loans granted by the Parent Company FinecoBank to retail customers, mainly backed by financial and real estate collateral, and disbursed in application of a careful and prudent lending policy. In the case of land loans, the average loan-to-value is, in fact, about 50 percent and the credit facilities granted involve the acquisition of guarantees with conservative margins. Most of the moratoriums granted by FinecoBank to support customers' financial needs related to the COVID-19 health emergency (which are of insignificant amount overall) have also resumed payments: moratoriums still outstanding as of June 30, 2022 amount to € 388 thousand. It should be noted that moratoria (if there are no additional items not strictly related to the moratorium under consideration) have been recognized accounted for by applying the so-called modification accounting, in line with ESMA guidelines, as the contractual amendments were assessed as non-substantial. The Group conducted a qualitative assessment and considered that these support measures provide temporary relief to borrowers affected by the COVID-19 pandemic, without significantly affecting the economic value of the loan.

For the purpose of calculating expected losses, the Group uses specific models that adopt Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure At Default ("EAD") indicators, conservatively estimated and to which specific adjustments are made in order to ensure full consistency with accounting regulations. Expected loss for institutional counterparties is calculated using risk parameters provided by the external provider Moody's Analytics; for retail counterparties, not having internal rating systems available, PD and LGD parameters are estimated by product type through models developed internally by the CRO Department (personal loans and mortgages) or proxies (other exposures). To implement the requirements of IFRS 9 accounting standard, the parameters are adjusted by forward-looking analyses through specific scenarios developed by external provider Moody's Analytics. The scenarios as of June 30, 2022, incorporate forward-looking information that considers different possible developments in the pandemic crisis and the military conflict in Ukraine. Specifically, the forward-looking component is determined by three macroeconomic scenarios, a base ("Baseline") scenario, a positive scenario, and an adverse scenario. The baseline scenario is weighted at 40 percent as it is considered the most likely to be realized; the positive and adverse scenarios, on the other hand, are weighted at 30 percent, and represent alternative best- and worst-case realizations, respectively. If conflict results in a decrease in economic growth (Italy and Spain in first and foremost), this scenario may result in higher value adjustments for the exposures held, loans and debt securities, due to the updated of the Forward-Looking Information component required by IFRS 9 accounting standard.

A key aspect arising from the accounting model required for the calculation of expected credit loss is the Stage Allocation model aimed at transferring exposures between Stage 1 and Stage 2 (Stage 3 being equivalent to impaired exposures), where Stage 1 mainly includes newly disbursed exposures and exposures that at the reporting date do not have a significant deterioration in credit risk compared to initial recognition. With reference to institutional counterparties that are issuers of financial instruments that the Group purchases as investments or with which the Group engages in lending activities, the approach used is based on the external rating assigned by the Moody's agency: the methodology envisages that the position moves to Stage 2 when a certain threshold, set in terms of notch from the rating at the date of initial recognition of the exposure, is exceeded. Regarding retail counterparties, in the absence of internal ratings, the Group makes use of the backstop preferred to in the regulations and additional internal evidence. In this context, all exposures that are more than 30 days past due, regardless of the materiality of the past due, or for which additional information is available that suggests a deterioration in the counterparty's creditworthiness are classified as Stage 2. For more details on the models and parameters used in the measurement of IFRS 9 adjustments, see Part E - Information on risks and related hedging policies of the notes to the accounts.

With reference to the projections of future cash flows, assumptions and parameters used for the purpose of assessing the recoverability of the goodwill, brands and Fineco domains recorded in the financial statements, it should be noted that the parameters and information used are significantly influenced by the macroeconomic market environment, which could experience unforeseeable changes considering the uncertainties highlighted above. In this regard it should be noted that as of June 30, 2022, the Bank has assessed that the changes reasonably estimated in the forward-looking data used as of December 31, 2021, have not a significant impact on the positive outcome of the impairment test carried out. The results confirm the sustainability of the goodwill recorded in the financial statements, not showing in any of the scenarios assumed the need for impairment, confirming a value in use significantly higher than the book value. The sensitivity analyses carried also show that the impairment test would reach a break-even level assuming changes currently not reasonably conceivable in the main parameters used in the valuation model. To this end, it is worth further mentioning that the Bank, unlike many issuers in the financial sector, has a market capitalization (amounting to € 6,968 million) higher than the book equity. For more details regarding the impairment test the related sensitivity analysis can be found in Part B - Information on the Consolidated Balance Sheet - Section 10 - Intangible Assets of the Notes to the Consolidated Financial Statements as of December 31, 2021.

## Part A – Accounting policies

With regard to the property owned for functional use and the property owned for investment use held by FinecoBank located in Italy, in order to assess whether there are any indications that the assets may be impaired, the Bank, at the time of the closing of the financial statements as of June 30, 2022, requested appraisals from independent third party companies from which no evidence emerged that would lead to the need for impairment pursuant to IAS 36.

Regarding valuation techniques, unobservable inputs and parameters used to measure fair value and sensitivity to change in those inputs, see Part A - Section A.4 "Information on fair value" of these notes to the accounts.

Lastly, regarding the provisions for risks and charges arising from legal disputes and claims, see Part E – Information on risks and related hedging policies - Section 5 - Operating risk of these notes to the accounts.

### **Going concern declaration**

While considering COVID-19, conflict between Russia and Ukraine and the growing inflation, it believes that there are no uncertainties regarding the Group's ability to continue as a going concern in the foreseeable future or uncertainties that would give rise to a material adjustment to the carrying amounts within the next financial year. However, it cannot be ruled out that, due to their nature, those reasonable assumptions may not be confirmed in the Group's actual future scenarios. In performing this valuation, the key regulatory indicators have been also considered, in terms of the period end figures at June 30, 2022, the related buffers with respect to the minimum regulatory requirements and their evolution in the foreseeable future.

Therefore, from a prospective point of view, there is no substantial impact on the Group's strategic orientation, objectives and business model, which remains innovative and well-diversified, nor are significant economic and financial impacts estimated.

The Directors have considered these circumstances and consider that it is reasonably certain that the Group will continue to operate successfully in the foreseeable future and, therefore, in accordance with IAS 1, the consolidated interim financial statements for the year ended June 30, 2022 have been prepared on a going concern basis.

### **Contract modifications resulting from COVID-19**

#### **1. Contract modifications and derecognition (IFRS 9)**

To limit the long-term effects of the crisis generated by the health emergency, the Italian Government adopted extraordinary measures to limit unemployment and support the most vulnerable sectors, which were accompanied by government-backed bank loans to businesses. The aid fund for first home mortgages (the Gasparrini Fund) was also extended to employees, self-employed workers and freelance professionals that have suffered more than a 33% decrease in revenue, due to the coronavirus emergency, compared with the turnover in the last quarter of 2019, as a result of the restrictions adopted for the COVID-19 emergency. The extraordinary measures have been extended to 31<sup>st</sup> December 2022, as reported in the regulation n.234 of 30<sup>th</sup> December 2021 "Bilancio di previsione dello Stato per l'anno finanziario 2022 e bilancio pluriennale per il triennio 2022-2024". Those eligible can suspend their loan payments for a determined period and pay 50% of the interest accrued on the outstanding debt during the suspension period. The Gasparrini Fund (known as Consap) covers the remaining 50% of the interest accrued during the suspension period.

The contract modifications occurred after the moratoria measure were considered to be immaterial following the application of modification accounting, in line with the ESMA guidance. The Group conducted a qualitative assessment and considered that these support measures provide temporary relief to borrowers affected by the COVID-19 pandemic, without significantly impairing the economic value of the loan.

Given that interest accrues on the postponed amounts, no significant modification losses have been identified.

#### **2. Amendment to IFRS 16**

Regulation (EU) 1434/2020 of October 9th, 2020, introduced certain amendments to IFRS 16 Leases relating to the COVID-19-Related Rent Concessions, to provide an optional and temporary practical expedient for lessees, namely the option not to apply the accounting rules for lease modification in the case of rent concessions occurring as a direct consequence of COVID-19. Subsequently, Regulation (EU) 2021/1421 of 30 August 2021 was published, which introduced certain amendments to IFRS 16 Leases relating to concessions on lease payments related to COVID-19 after 30 June 2021. The Group has not applied the practical expedient in both the cases.

## Part A – Accounting policies

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

FinecoBank has subscribed to the "Voluntary Scheme", introduced by the Interbank Deposit Guarantee Fund ("IDGF") in November 2015, through an amendment to its bylaws. The Voluntary Scheme is an instrument for resolving bank crises through support measures in favour of banks subscribing to it, when specific conditions established by the regulations apply. The Voluntary Scheme has its own independent financial resources and the banks subscribing to it have committed to provide funds on request for implementation of the measures.

From 2016 to 2018, the Voluntary Scheme, as a private entity, approved initiatives to support some banks, and 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 with simultaneous recognition in the financial statements, as indicated in this regard by the Bank of Italy, recognized in the financial statements as equity instruments and 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, based on the current accounting standard IFRS 9, as "Financial assets measured at fair value through profit or loss, c) other financial assets mandatorily at fair value".

As of June 30, 2022, total exposure of equity instruments, arising from grants deriving from the aforementioned contributions paid by the Bank, net of write-downs and cancellations made in previous years and of the effects of the fair value valuation on that date amounted to € 181 thousand, relating to the contributions paid for the intervention in favour Carim, Carismi and CariCesena.

In particular, the fair value measurement as of June 30, 2022 of equity instruments booked by the Bank as part of the operation approved by the Voluntary Scheme for the initiative taken by Credit Agricole CariParma in support of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi) showed an impairment which has resulted in the recognition in the income statement of first half 2022 a further negative fair value valuation of € 124 thousand. The measurement model adopted is based on the Discounted Cash Flow model depending on recovery assumptions.

Referring to the capital securities taken over by the Bank as part of the intervention in favor of Banca Carige S.p.A., it should be noted that in the meeting of February 14, 2022, the FITD's statutory bodies unanimously approved a preventive intervention in favor of Banca Carige, in the amount of € 530 million, in the form of a capital contribution, as part of an overall transaction that, subject to the authorizations by law, would be carried out by Bper Banca and which included, among others, the purchase at a symbolic price of the stake held by the FITD and the Voluntary Scheme in Banca Carige S.p.A. (about 80 percent) and the subordinated loan issued by the latter in 2018 for a consideration € 5 million, equal to par value.

On June 3, 2022, the FITD announced that it finalized, within the contractual terms, the closing of the transaction for the sale of the FITD's and the Voluntary Scheme's shareholding in Banca Carige in favor of Bper Banca, for the consideration of € 1 and subject to the FITD's contribution in Carige of € 530 million by way of capital contribution. As part of the transaction, Bper Banca also acquired the subordinated bonds issued by Banca Carige owned by the Voluntary Scheme for a nominal € 5 million.

Considering the above, in June 2022 the capital stock resulting from the contributions paid by FinecoBank for the support measures for Banca Carige was cancelled, resulting in a loss in the income statement for the first half of 2022 of € 152 thousand.

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

Directive 2014/49/EU of April 16th, 2014, on Deposit Guarantee Schemes (DGS) aims to enhance the protection of depositors by harmonising national legislation. It calls for a mandatory national contribution mechanism that will allow a target level of 0.8% of the amount of its members' covered deposits to be collected by July 3rd, 2024. Where the financing capacity falls short of the target level, the payment of contributions shall resume at least until the target level is reached again. If, after the target level has been reached for the first time, the available financial means have been reduced to less than two-thirds of the target level, the regular contribution shall be set at a level allowing the target level to be reached within six years. The contribution mechanism involves ordinary annual contribution instalments, with the aim of distributing the costs evenly over time for the contributing banks, in addition to extraordinary contributions, if the available financial resources of a DGS are insufficient to repay depositors; the extraordinary contributions cannot exceed 0.5% of covered deposits per calendar year, but in exceptional cases and with the consent of the competent authority, the DGS may demand even higher contributions.

Contributions will be due and recognized in the third quarter of the fiscal year, in application of IFRIC 21.

With European Directive 2014/59/EU, the Regulation on the Single Resolution Mechanism ("BRRD Directive" Regulation (EU) No. 806/2014 of the European Parliament and of the Council dated July 15th, 2014) established a framework for the recovery and resolution of crises in credit institutions, by setting up a single resolution committee and resolution fund for banks (Single Resolution Fund or SRF). The Directive entails a compulsory contribution mechanism allowing the collection by December 31st, 2023, of the target level of resources, corresponding to 1% of the covered deposits of all authorised institutions in the European territory. The accumulation period can be extended by a further four years if the cumulative disbursements from the contribution schemes have exceeded 0.5% of protected deposits. If, after the accumulation period, the available funds fall below the target level, the collection of contributions resumes until said level is reinstated. Additionally, having reached the target level for the first time and, if the available funds fall to less than two thirds of the target level, these contributions are set at the level which allows the target level to be reached within six years. The contribution mechanism provides for ordinary annual contributions, with the aim of distributing the costs evenly over time for the

## Part A – Accounting policies

contributing banks, and extraordinary additional contributions of up to three times the standard annual amount when the available funds are not sufficient to cover the losses and costs of interventions.

The Group's share for the year 2022, which is only paid by the Parent Company FinecoBank, is recognised under item 190. "Administrative expenses b) other administrative expenses" and amounted to € 7,601 thousand (€ 5,812 thousand for in the first half 2021). It should be noted that in the first half of 2021, Bank of Italy recalled from the banking system an additional contribution to the National Resolution Fund (NRF) under Article 1, paragraph 848, of Law No. 208/2015, in the amount of € 1,893 thousand.

Both Directives No. 49 and No. 59 allow for the possibility of introducing irrevocable payment commitments as an alternative form of collection to non-reimbursable cash contributions, up to a maximum of 30% of the total target resources, an option that the Group has not used.

### **Other information**

The Consolidated interim financial statements as at June 30, 2022 are subject to limited audit by KPMG S.p.A. appointed as auditor of the Bank's accounts in implementation of the Shareholders' Meeting resolution of April 28, 2021.

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 statement, please refer to what is illustrated in Part A.2 of the Notes to the consolidated accounts of the Financial Statements closed on 31 December 2021.

### 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 the first half 2022 the Group has not made changes to its business models and, consequently, did not make any changes.

## Part A – Accounting policies

### 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

### 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) to which 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 based on the relevant market prices for the component parts.

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 to ensure their consistency with the objectives of the valuation.

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 CRO Department, which, as the risk management function, 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 info provider to get the information.

The internal legal framework consists of a Global Policy and a Global Operational Regulation. The Global Policy sets the principles and the rules governing the fair value measuring framework and the independent price verification process, whereas the Global Operational Regulation describes the process in detail and identify Fair Value measuring techniques as well as independent price verification methodologies applicable for each financial instrument held by the Group.

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

In order to determine a fair value or 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

Among the evaluation methods used by the Group, the following are worth mentioning:

- Discounted cash flow: evaluation techniques based on discounted cash flow consist of estimating expected future cash flow collectable during the life of the financial instrument. The model requires an estimate of cash flows and the adoption of market parameters for the discounting: the discount rate or margin reflects the credit and / or financing spread required by the market for instruments with similar risk and liquidity profiles, in order to define a "discounted value". The fair value of the contract is the sum of the discounted future cash flows;
- Option price model: Option price models are generally used for instrument awarding a mandatory right or duty based on the occurrence of a future event, such as the attainment of a predetermined strike price. Option models estimate the probability of occurrence of a specific event, incorporating assumptions like the volatility of the underlying returns and the price of the underlying instrument;
- Market approach: evaluation techniques exploiting prices resulting from actual market transactions involving identical or comparable asset and liabilities or groups of identical or comparable asset and liabilities;

## Part A – Accounting policies

- Adjusted Net Asset Value (NAV): the NAV is the value of a fund's assets minus the value of its liabilities. An increase in such amount result in a Fair Value increase as well.

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

For financial instruments not listed in active markets, as the Fair Value is determined through evaluation models, there may be necessary value adjustments in order to consider estimation uncertainties or difficulties in disinvestment. Such Adjustments represents amendments to the theoretical fair value, determined through an evaluation technique, for factors not included in the basic discounted value considered by market participant for the estimation of an exit price.

Adjustments may be calculated as additional components of valuation or be directly included in the evaluation itself. Shall the Group acquire any instrument whose evaluation does requires adjustments, the latter will be estimated by the CRO Department keeping into consideration the following risk sources: Close out cost, market liquidity, model risk, CVA/DVA.

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

The main information on the valuation models used for the valuation of assets and liabilities measured at fair value on a recurring basis is summarized below by type of financial instrument.

With reference to the quantitative disclosure required by IFRS 13 on significant unobservable inputs used in the fair value measurement and the sensitivity analysis of level 3 financial assets and liabilities measured at fair value, it should be noted that the Group does not hold significant positions in financial instruments classified in level 3 of the fair value hierarchy. The only exception are Visa INC class "C" preferred shares and the exposure in equity securities recognized against the contributions paid to the Voluntary Scheme established by the "Fondo Interbancario di Tutela dei Depositi", for which reference is made to the following paragraph "Equities".

#### *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.

The determination of the fair value of financial instruments and the related independent price verification process are governed at Group level by a specific Global Policy and Global Operational Regulation. With particular reference to OTC derivatives, a distinction must be made between derivatives that the Group trades directly with customers, mainly CFDs (Contract for Difference) and options (daily options and knockout options), and those that the Group trades as hedges with other financial institutions.

To calculate the price of CFDs (Contract for Difference) Fineco uses contractual rules and data from Info Providers according to the specifications provided by the business functions. For knockout options, the pricing model is the same as that applied to the client, who is offered a product with a linear payoff that is easy to understand. The valuation of options by the relevant risk control functions for IPV purposes is carried out using market best practices (e.g. Hull for exotic options). The option pricing model is based on the Black & Scholes formula, which considers the following inputs:

- current price of the underlying "St"
- strike "K";
- barrier "L" (in the case of exotic options such as Barrier Options);
- interest rate "r";
- volatility "σt".

## Part A – Accounting policies

Finally, for derivative instruments such as asset swaps and interest rate swaps, which the Group trades as hedges with other financial institutions, the fair value is determined through the use of a Position Keeping system, which applies the Discounting Cash Flow method. The net present value of the derivative, which is recognised on a daily basis, is used to meet clearing obligations in accordance with EMIR regulations and as agreed between the counterparties. The fair value is monitored as part of the independent price verification (IPV) process by the CRO Department. The CRO Department performs a quarterly comparison between the curves provided by the Treasury Department and those considered as the reference set for the valuation of balance sheet positions.

### *Equity Instruments*

Equity Instruments shall be marked as to 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 preferred shares class "C" and class "A", 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 class "C" preferred shares valuation as of June 30, 2022, such factor was determined equal to 8.97%, estimating litigation risk at 2.97% 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. The Visa INC preferred shares class "C" have been marked as level 3 of fair value hierarchy.

With reference to the contributions paid to the Voluntary Scheme established by the Interbank Deposit Guarantee Fund, it should be noted that the fair value of the securities equity securities recognized in relation to the contributions paid for the support intervention for the recovery of Caricesena, Carim and Carismi, the only securities still held by the Group, was determined using a valuation model based on the Discounted Cash Flow model according to the forecasts of assumed recovery. Fair value hierarchy 3 was assigned to the security.

### *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 Level 1 when an official price is available on active markets. 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**

The main information on the valuation models used to measure assets and liabilities measured at fair value on a non-recurring basis is summarized below.

Financial instruments not measured at fair value on a recurrent basis, 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 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.

The fair value of on-demand items, which are conventionally included in financial assets measured at amortised cost with the exception of on-demand receivables from banks and central banks which are only recognised under "Cash and cash balances", and financial assets measured at amortised cost with a maturity of less than 12 months, is approximated to be equal to their carrying amount; these assets are assigned a level 3 fair value hierarchy.

The fair value of impaired loans was determined by considering that the realisable value expressed by the net book value represents the best estimate of the foreseeable future cash flows discounted at the valuation date; these assets are assigned the level 3 fair value hierarchy.

Lastly, the UniCredit S.p.A. securities recorded in "Financial assets at amortised cost" have been assigned the level 2 fair value hierarchy. The fair value has been calculated using the discounted cash flow methodology, which consists of producing estimate 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 secondary market, having the same specific characteristics.

### *Financial liabilities at amortised cost*

The fair value of financial liabilities at amortised cost is determined using a present value model adjusted for the associated issuer risk.

The fair value of on-demand financial liabilities, conventionally classified as financial liabilities at amortised cost, and financial liabilities at amortised cost with a maturity of less than 12 months is approximated equal to the carrying amount; these liabilities are assigned the fair value hierarchy level 3.

## Part A – Accounting policies

### *Cash and cash balances*

The fair value of on-demand loans and receivables from banks and central banks recognised in the item “Cash and cash balances” is approximated equal to the carrying amount; these assets are assigned the fair value hierarchy level 3.

### **Description of the inputs used in measuring the fair value of Level 2 and Level 3 instruments**

The following is a description of the main significant inputs used in measuring the fair value of assets and liabilities measured at fair value on a recurring and non-recurring basis belonging to Levels 2 and 3 of the fair value hierarchy.

Level 2 inputs are prices other than quoted Level 1 prices that are observable either directly or indirectly for the assets or liabilities. In particular, they may be

- quoted prices in active markets for similar assets or liabilities;
- quoted prices in markets that are not active for similar or identical assets or liabilities;
- inputs other than quoted prices that are observable for assets or liabilities (e.g. interest rates and yield curves observable at commonly quoted intervals; implied volatilities; credit spreads);
- inputs corroborated by market data that cannot be directly observed but are based on or supported by market data.

Level 2 factors must be observable (either directly or indirectly, e.g. through confirmations with market data) throughout the contractual life of the asset or liability being valued. Market factors that may not be directly observable but are based on or supported by observable market data are included in Level 2 because such factors are less subjective than unobservable factors classified as Level 3. Examples of Level 2 instruments are bonds whose value is derived from a similar publicly traded bond, over-the-counter interest rate swaps valued from a model whose inputs are observable, corporate bonds, asset-backed securities, high-yield debt securities as well as certain structured products where the valuation inputs are based primarily on readily available pricing information.

Level 3 valuation inputs are not observable and are relevant in the absence of Level 1 and Level 2 inputs. Given the need to estimate an exit price at the valuation date also for instruments classified in hierarchy 3, these inputs are exploited by internally developed valuation models.

Examples of Level 3 inputs for assets and liabilities are as follows:

- historical volatility, when it is not possible to observe the implied volatility (e.g. of similar options because they are not sufficiently liquid). Historical volatility generally does not represent market participants' current expectations of future volatility, even though it is the only information available to evaluate an option;
- financial forecasts developed using own data in case there is no information available;
- correlation between non-liquid assets. There are several types of correlation inputs, including credit correlation, cross-asset correlation (e.g. equity and interest rate correlation) and correlation between assets of the same type (e.g. interest rate correlation) that are generally used to value hybrid and exotic instruments;
- credit spread when it is unobservable or cannot be corroborated by observable market data.

### **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 & Liquidity Risk function in order to provide an independent fair value.

With regard to the sensitivity analysis of financial assets and liabilities measured at fair value on a recurring basis at level 3 as required by IFRS 13, it should be noted that the Group does not hold significant positions in financial instruments classified in the fair value hierarchy 3, with the exception of exposure in preferred shares of Visa INC class "C", for which reference should be made to the paragraph "Equity Instruments" above. The sensitivity analysis for the Group's exposure in Level 3 instruments is not significant.

## Part A – Accounting policies

### 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 level 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 for identical assets or liabilities that the Group has access to at the measurement date. An active market is an active market if transactions in the asset or liability being valued occur frequently and in sufficient volume to provide useful pricing information on an ongoing basis;
- Level 2: the fair value for instruments classified within this level is determined according to valuation models using observable market inputs, other than market prices already included in Level 1. Inputs are considered observable if they are developed on the basis of information available to the market regarding current events or transactions and reflect the assumptions that market counterparties would use to value the asset or liability;
- Level 3: the fair value of instruments classified in this level is determined on the basis of valuation models using primarily significant inputs, other than those included in Level 1 and Level 2, that are not observable in active markets. The unobservable inputs must, however, reflect the assumptions that market participants would use in valuing the asset or liability, including assumptions about risk.

The transfer of the fair value level of financial assets and liabilities measured at fair value on a recurring basis may occur if the inputs used by the valuation model change (e.g. if a quotation on an active market is no longer available for an instrument). If a valuation technique that uses inputs from different levels of the hierarchy is used to measure an instrument, the instrument is classified entirely in the same level of the hierarchy as the lowest level input that is significant to the measurement. A valuation input is not considered significant for the purposes of assigning the fair value hierarchy if the remaining inputs determine 90% of the fair value of the instrument.

### A.4.4 Other information

No information is required to be disclosed with respect to the requirements of IFRS 13 paragraphs 48, 93(i) and 96.

## Part A – Accounting policies

### 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	06/30/2022			12/31/2021		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	14,803	5,962	4,974	17,083	3,348	5,347
a) financial assets held for trading	14,049	5,960	11	16,894	3,346	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	754	2	4,963	189	2	5,347
2. Financial assets at fair value through other comprehensive income	29,492	-	5	39,012	-	5
3. Hedging derivatives	-	1,140,627	-	-	127,448	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
<b>Total</b>	<b>44,295</b>	<b>1,146,589</b>	<b>4,979</b>	<b>56,095</b>	<b>130,796</b>	<b>5,352</b>
1. Financial liabilities held for trading	5,737	1,366	1	2,486	1,931	-
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	13,004	-	-	57,313	-
<b>Total</b>	<b>5,737</b>	<b>14,370</b>	<b>1</b>	<b>2,486</b>	<b>59,244</b>	<b>-</b>

**Key:**

L1 = Level 1

L2 = Level 2

L3 = Level 3

During the first half 2022, there were no significant transfers of financial assets between fair value hierarchy 1 and 2.

No Credit Value Adjustment (CVA) and/or Debit Value Adjustment (DVA) was applied in determining the fair value of derivative financial instruments.

#### ***Impacts of the crisis unfolded by COVID-19 pandemic and the Russia-Ukraine military conflict on fair value measurement***

Neither the COVID-19 crisis or the Russia-Ukraine military conflict 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.

## Part A – Accounting policies

### 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	06/30/2022				12/31/2021			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets at amortised cost	31,968,509	21,724,544	2,657,071	6,664,682	30,895,959	20,783,239	4,235,999	6,607,661
2. Tangible assets held for investment	1,710	-	-	2,270	1,764	-	-	2,292
3. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
<b>Total</b>	<b>31,970,219</b>	<b>21,724,544</b>	<b>2,657,071</b>	<b>6,666,952</b>	<b>30,897,723</b>	<b>20,783,239</b>	<b>4,235,999</b>	<b>6,609,953</b>
1. Financial liabilities at amortised cost	33,659,760	439,391	1,031,125	32,131,953	31,570,201	489,712	1,032,069	30,038,707
2. Liabilities included in disposal group classified as held for sale	-	-	-	-	-	-	-	-
<b>Total</b>	<b>33,659,760</b>	<b>439,391</b>	<b>1,031,125</b>	<b>32,131,953</b>	<b>31,570,201</b>	<b>489,712</b>	<b>1,032,069</b>	<b>30,038,707</b>

**Key:**

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

As previously described, assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis are presented on the basis of their fair value and fair value hierarchy for the sole purpose of meeting financial statement disclosure requirements.

Tangible assets held for investment consist of one property held by the Bank.

## Part A – Accounting policies

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

Financial instruments must be initially recognised at fair value.

Normally, the fair value of a financial instrument, at the date of initial recognition, is equal to the price paid/amount paid for the acquisition of the financial assets or the amount received for the financial liabilities. This assertion is generally found in the case of transactions referring to financial instruments belonging to the level 1 and also level 2 fair value hierarchy, considering that the prices are normally derived indirectly from the market.

In the case of level 3, on the other hand, there is a partial discretion in the determination of fair value, but due to the absence of an unequivocal benchmark to be compared with the transaction price, initial recognition must always be at the transaction price. In the latter case, however, the subsequent measurement cannot include the difference between the price paid/amount disbursed and the fair value found at the time of the initial measurement, also referred to as "Day one profit/loss". This difference must be recognised in profit or loss only if it arises from changes in the factors on which market participants base their valuations in setting prices.

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 recognized 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: breakdown

(Amounts in € thousand)

	Total 06/30/2022	Total 12/31/2021
a) Cash	7	335
b) Current account and demand deposits with Central banks	1,252,216	1,256,399
c) Current accounts and demand deposits with banks	290,149	207,448
<b>Total</b>	<b>1,542,372</b>	<b>1,464,182</b>

The item "(b) Demand deposits with Central banks" refers to the liquidity deposited in the HAM (Home Accounting Model) account and TIPS (Target Instant Payment Settlement) held with Bank of Italy.

Item "c) Current accounts and demand deposits with banks" consists of current accounts opened with credit institutions for the settlement of transactions on payment circuits, for the settlement of securities transactions, for the management of the liquidity of UK clients and for the management of Fineco AM's liquidity.

## Part B - Consolidated Balance Sheet

### 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/Amounts	Total 06/30/2022			Total 12/31/2021		
	L1	L2	L3	L1	L2	L3
<b>A. Balance sheet assets</b>						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	8,848	-	-	14,792	-	-
3. Units in investment funds	56	-	11	5	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
<b>Total (A)</b>	<b>8,904</b>	<b>-</b>	<b>11</b>	<b>14,797</b>	<b>-</b>	<b>-</b>
<b>B. Derivative instruments</b>						
1. Financial derivatives	5,145	5,960	-	2,097	3,346	-
1.1 Trading	5,145	5,960	-	2,097	3,346	-
1.2 Linked to fair value option	-	-	-	-	-	-
1.3 Others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Others	-	-	-	-	-	-
<b>Total (B)</b>	<b>5,145</b>	<b>5,960</b>	<b>-</b>	<b>2,097</b>	<b>3,346</b>	<b>-</b>
<b>Total (A+B)</b>	<b>14,049</b>	<b>5,960</b>	<b>11</b>	<b>16,894</b>	<b>3,346</b>	<b>-</b>

**Key:**

L1 = Level 1

L2 = Level 2

L3 = Level 3

Equities in the proprietary portfolio are mainly used for management hedging of open equity CFD positions in return of clients and, to a lesser extent, may arise from internalisation activities and are intended to be traded in the short term.

Financial derivatives refer to the positive valuation of CFD contracts on forex, indices, shares, interest rates and commodities traded in return of customers, as well as derivative contracts regulated or entered into with institutional counterparties for the purpose of hedging such derivative contracts, Knock Out Options and Turbo Certificates issued for a total amount of € 5,703 thousand (€ 3,310 thousand as at December 31, 2021).

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 € 5,402 thousand (€ 2,133 thousand as at December 31, 2021).

## Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

Items/Accounts	Total 06/30/2022			Total 12/31/2021		
	L1	L2	L3	L1	L2	L3
<b>1. Debt securities</b>	<b>77</b>	<b>2</b>	<b>-</b>	<b>72</b>	<b>2</b>	<b>-</b>
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	77	2	-	72	2	-
<b>2. Equity instruments</b>	<b>2</b>	<b>-</b>	<b>4,963</b>	<b>1</b>	<b>-</b>	<b>5,347</b>
<b>3. Units in investment funds</b>	<b>675</b>	<b>-</b>	<b>-</b>	<b>116</b>	<b>-</b>	<b>-</b>
<b>4. Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
<b>Total</b>	<b>754</b>	<b>2</b>	<b>4,963</b>	<b>189</b>	<b>2</b>	<b>5,347</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 € 4,777 thousand, which saw a negative fair value change of € 107 thousand during first half 2022; the residual equity instruments exposure following the contribution paid to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF) amounting to € 182 thousand referred only to contributions made in favor of Carim, Carismi and CariCesena, with a negative effect recorded in first half 2022 income statement amounting to € 124 thousand due to the fair value measurement; The Units in investment funds held by the subsidiary Fineco AM in the amount of € 675 thousand. 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.

Regarding the equity securities taken over by the Bank as part of the intervention in favor of Banca Carige S.p.A. booked in the Reports and Accounts 2021, it should be noted that following the meeting of February 14, 2022, the statutory bodies of the FITD unanimously approved a preventive intervention in favor of Banca Carige, in the amount of € 530 million, in the form of a capital contribution by the FITD in favor of Carige as part of an overall transaction which, subject to legal authorizations, would have been carried out by BPER Banca and which provided, among others, for the purchase at a symbolic price of the equity investment held by the FITD and the Voluntary Scheme in Banca Carige S. p.A. (approximately 80%) and the subordinated loan issued by the latter in 2018 for a consideration of € 5 million, equal to the nominal value. On June 3, 2022, FITD announced that it had finalized, within the contractual terms, the closing of the transaction for the sale of the FITD's and the Voluntary Scheme's shareholding in Banca Carige in favor of BPER Banca, for the consideration of 1 euro and subject to the FITD's contribution in Carige of € 530 million by way of capital contribution. As part of the transaction, BPER Banca also acquired the subordinated bonds issued by Banca Carige owned by the Voluntary Scheme for a nominal € 5 million. Considering the above, in June 2022 the capital bond resulting from the contributions paid by FinecoBank for the support measures in favor of Banca Carige was cancelled, resulting in a loss of € 152 thousand.

Equity securities of issuers in default were classified by the Group as non-performing in the financial statements for a total amount of € 2 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/Amounts	Total 06/30/2022			Total 12/31/2021		
	L1	L2	L3	L1	L2	L3
<b>1. Debts securities</b>	<b>29,492</b>	-	-	<b>39,012</b>	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	29,492	-	-	39,012	-	-
<b>2. Equity instruments</b>	-	-	<b>5</b>	-	-	<b>5</b>
<b>3. Loans</b>	-	-	-	-	-	-
<b>Total</b>	<b>29,492</b>	-	<b>5</b>	<b>39,012</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 the "FVTOCI"<sup>27</sup> option was exercised. For more details, see the information on exposures in securities issued by sovereign States set out in Part E of the notes to the accounts.

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

(Amounts in € thousand)

	Gross amount				Writedowns				Partial write-offs
	Stage 1 of which: low credit risk	Stage 2	Stage 3	Purchased or originated credit- impaired	Stage 1	Stage 2	Stage 3	Purchase d or originated credit- impaired	
Debt securities	29,493	-	-	-	(1)	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-
<b>Total 06/30/2022</b>	<b>29,493</b>	-	-	-	<b>(1)</b>	-	-	-	-
<b>Total 12/31/2021</b>	<b>39,018</b>	-	-	-	<b>(6)</b>	-	-	-	-

#### 3.3a Financial assets at fair value through other comprehensive income subject to Covid-19 support measures: gross value and total value adjustments

No data to report.

<sup>27</sup> With regard to non-trading equity instruments, IFRS 9 provides for the possibility of classifying them at fair value recognized in the other components of the comprehensive income statement (so-called "FVTOCI" - Fair Value Through Other Comprehensive Income).

## Part B - Consolidated Balance Sheet

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

#### 4.1 Financial assets at amortized cost: product breakdown of loans and receivables to banks

(Amounts in € thousand)

Type of transaction/Values	Total 06/30/2022						Total 12/31/2021					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
<b>A. Loans and receivables to Central Banks</b>	<b>308,318</b>	-	-	-	-	<b>308,318</b>	<b>298,040</b>	-	-	-	-	<b>298,040</b>
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	308,318	-	-	X	X	X	298,040	-	-	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 to banks</b>	<b>4,208,866</b>	-	-	<b>1,517,352</b>	<b>2,488,786</b>	<b>91,897</b>	<b>5,459,466</b>	-	-	<b>1,438,943</b>	<b>3,991,717</b>	<b>81,822</b>
1. Loans	91,897	-	-	-	-	91,897	81,822	-	-	-	-	81,822
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	73,282	-	-	X	X	X	69,508	-	-	X	X	X
1.3. Other loans	18,615	-	-	X	X	X	12,314	-	-	X	X	X
- Reverse repos	373	-	-	X	X	X	222	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	18,242	-	-	X	X	X	12,092	-	-	X	X	X
2. Debts securities	4,116,969	-	-	<b>1,517,352</b>	<b>2,488,786</b>	-	<b>5,377,644</b>	-	-	<b>1,438,943</b>	<b>3,991,717</b>	-
2.1. Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other	4,116,969	-	-	<b>1,517,352</b>	<b>2,488,786</b>	-	<b>5,377,644</b>	-	-	<b>1,438,943</b>	<b>3,991,717</b>	-
<b>Total</b>	<b>4,517,184</b>	-	-	<b>1,517,352</b>	<b>2,488,786</b>	<b>400,215</b>	<b>5,757,506</b>	-	-	<b>1,438,943</b>	<b>3,991,717</b>	<b>379,862</b>

**Key:**

L1 = Level 1

L2 = Level 2

L3 = Level 3

"Repurchase agreements" do not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" transactions in table A.1.4 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidation - Quantitative information of these to the accounts.

The item "Other loans: Other" refers for € 7,919 thousand to the amount of the initial and variation margins and collateral deposits placed with credit institutions for derivative transactions (€ 3,960 thousand as at December 31, 2021), and € 10,323 thousand to current receivables associated with the provision of financial services (€ 8,132 thousand as at December 31, 2021).

The item "Debt securities" includes € 2,376,511 thousand relating to debt securities issued by UniCredit S.p.A. (€ 3,856,364 thousand as at December 31, 2021).

Financial assets measured at amortised cost are presented based on their fair value and fair value hierarchy for the sole purpose of fulfilling disclosure requirements. For further details, see paragraph "A.4 - Fair value disclosures" in Part A - Accounting policies of these notes to the accounts.

## Part B - Consolidated Balance Sheet

### 4.2 Financial asset at amortised cost: product breakdown of receivables to customers

(Amounts in € thousand)

Type of transaction/Values	Total 06/30/2022						Total 12/31/2021					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and 2	Stage 3	Purchased or originated credit- impaired	L1	L2	L3	Stage 1 and 2	Stage 3	Purchased or originated credit- impaired	L1	L2	L3
<b>1. Loans</b>	<b>6,306,498</b>	<b>4,291</b>	-	-	-	<b>6,264,467</b>	<b>5,997,216</b>	<b>4,380</b>	-	-	-	<b>6,227,799</b>
1.1. Current accounts	2,265,048	2,340	-	X	X	X	2,107,400	2,242	-	X	X	X
1.2. Reverse repos	143,143	5	-	X	X	X	193,176	100	-	X	X	X
1.3. Mortgages	2,616,170	851	-	X	X	X	2,478,473	882	-	X	X	X
1.4. Credit cards, personal loans and wage assignment	846,087	946	-	X	X	X	823,203	1,020	-	X	X	X
1.5. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	436,050	149	-	X	X	X	394,964	136	-	X	X	X
<b>2. Debt securities</b>	<b>21,140,536</b>	-	-	<b>20,207,192</b>	<b>168,285</b>	-	<b>19,136,857</b>	-	-	<b>19,344,296</b>	<b>244,282</b>	-
2.1. Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other	21,140,536	-	-	20,207,192	168,285	-	19,136,857	-	-	19,344,296	244,282	-
<b>Total</b>	<b>27,447,034</b>	<b>4,291</b>	-	<b>20,207,192</b>	<b>168,285</b>	<b>6,264,467</b>	<b>25,134,073</b>	<b>4,380</b>	-	<b>19,344,296</b>	<b>244,282</b>	<b>6,227,799</b>

## Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

The item "Repurchase agreements" does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" transactions in table A.1.5 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidation - Quantitative information of these notes to the accounts.

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

Financial assets and liabilities may be offset when the company currently has a legal right to offset the recognised amounts and intends to settle for the net residual, or realise the asset and settle the liability simultaneously, as required by IAS 32.

In addition to complying with IAS 32, the Group offsets financial assets and liabilities only when:

- the transactions have the same explicit final settlement date;
- the right to set off the amount due to the counterparty against the amount due from the counterparty is legally enforceable in the ordinary course of business and in the event of default, insolvency or bankruptcy;
- either the counterparties intend to settle on a net basis or simultaneously, or the transactions are subject to a settlement mechanism that functionally results in the equivalent of net settlement.

In the table above, repo transactions entered into on the MTS and settled through a Central Counterparty have been shown netted.

Financial assets measured at amortised cost are presented on the basis of their fair value and fair value hierarchy for the sole purpose of fulfilling disclosure requirements. For further details, see paragraph "A.4 - Fair value disclosures" in Part A - Accounting policies of these notes to the accounts.

## Part B - Consolidated Balance Sheet

### 4.4 Financial assets at amortised cost: gross value and total value adjustments

(Amounts in € thousand)

	Gross amount					Writedowns				Partial write-offs
	Stage 1	of which: low credit risk	Stage 2	Stage 3	Purchased or originated credit- impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit- impaired	
Debt securities	25,263,696	-	-	-	-	(6,191)	-	-	-	-
Loans	6,702,556	-	16,615	24,602	-	(8,419)	(4,039)	(20,311)	-	-
<b>Total 06/30/2022</b>	<b>31,966,252</b>	<b>-</b>	<b>16,615</b>	<b>24,602</b>	<b>-</b>	<b>(14,610)</b>	<b>(4,039)</b>	<b>(20,311)</b>	<b>-</b>	<b>-</b>
<b>Total 12/31/2021</b>	<b>30,894,291</b>	<b>-</b>	<b>15,639</b>	<b>24,540</b>	<b>-</b>	<b>(14,478)</b>	<b>(3,873)</b>	<b>(20,160)</b>	<b>-</b>	<b>-</b>

### 4.4a Financial assets at amortised cost subject to COVID-19 support measures: gross values and writedown

(Amounts in € thousand)

	Gross value					Writedown				Write off partial total*
	Stage 1	of which: low credit risk	Stage 2	Stage 3	Purchased or originated credit- impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit- impaired	
1. EBA-compliant moratoria loans and receivables	47	-	250	-	-	-	(2)	-	-	-
2. Loans under moratorium no longer compliant to GL requirements and not valued as forbore exposure	-	-	-	-	-	-	-	-	-	-
3. Other loans and advances subject to COVID-19-related forbearance measures	-	-	-	90	-	-	-	(16)	-	-
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-
<b>Total 06/30/2022</b>	<b>47</b>	<b>-</b>	<b>250</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>(16)</b>	<b>-</b>	<b>-</b>
<b>Total 12/31/2021</b>	<b>231</b>	<b>-</b>	<b>773</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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
	06/30/2022				12/31/2021			
	L1	L2	L3		06/30/2022	L1	L2	
<b>A. Financial derivatives</b>								
1. Fair value	-	1,140,627	-	10,107,420	-	127,448	-	6,228,710
2. Cash flows	-	-	-	-	-	-	-	-
3. Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>1,140,627</b>	-	<b>10,107,420</b>	-	<b>127,448</b>	-	<b>6,228,710</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 Fair value change of hedged assets: breakdown by hedged portfolio

(Amounts in € thousand)

Fair value of hedged assets/Amounts	Total	
	06/30/2022	12/31/2021
<b>1. Positive changes</b>	-	<b>19,648</b>
1.1 of specific portfolios:	-	19,648
a) financial assets at amortized cost	-	19,648
b) financial assets at fair value through other comprehensive income	-	-
1.2 overall	-	-
<b>2. Negative changes</b>	<b>(191,863)</b>	<b>(21,183)</b>
2.1 of specific portfolios	(191,863)	(21,183)
a) financial assets at amortized cost	(191,863)	(21,183)
b) financial assets at fair value through other comprehensive income	-	-
2.2 overall	-	-
<b>Total</b>	<b>(191,863)</b>	<b>(1,535)</b>

### 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 06/30/2022	Total 12/31/2021
<b>1. Owened assets</b>	<b>82,260</b>	<b>84,435</b>
a) lands	23,932	23,932
b) buildings	39,166	39,822
c) office furniture and fittings	2,831	3,089
d) electronic system	14,058	15,001
e) other	2,273	2,591
<b>2. Assets under financial lease</b>	<b>62,715</b>	<b>64,148</b>
a) lands	-	-
b) buildings	62,350	63,830
c) office furniture and fittings	-	-
d) electronic system	-	-
e) other	365	318
<b>Total</b>	<b>144,975</b>	<b>148,583</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 accounts.

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

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

(Amounts in € thousand)

Assets/Amounts	Total 06/30/2022			Total 12/31/2021				
	Carrying value	Fair value			Carrying value	Fair value		
		L1	L2	L3		L1	L2	L3
<b>1. Owened assets</b>	<b>1,710</b>	-	-	<b>2,270</b>	<b>1,764</b>	-	-	<b>2,292</b>
a) lands	-	-	-	-	-	-	-	-
b) buildings	1,710	-	-	2,270	1,764	-	-	2,292
<b>2. Assets under financial lease</b>	-	-	-	-	-	-	-	-
a) lands	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,710</b>	-	-	<b>2,270</b>	<b>1,764</b>	-	-	<b>2,292</b>
of which: obtained through enforcement of the guarantees received	-	-	-	-	-	-	-	-

## Key:

L1 = Level 1

L2 = Level 2

L3 = Level 3

## Part B - Consolidated Balance Sheet

### 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 assets type

(Amounts in € thousand)

Activities/Values	Total 06/30/2022		Total 12/31/2021	
	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 minorities	X	-	X	-
<b>A.2 Other intangible asset</b>	<b>10,066</b>	<b>27,459</b>	<b>11,625</b>	<b>27,459</b>
of which: software	9,990	-	11,500	-
A.2.1 Assets valued at cost:	10,066	27,459	11,625	27,459
a) Intangible assets generated internally	-	-	-	-
b) Other assets	10,066	27,459	11,625	27,459
A.2.2 Assets valued at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
<b>Total</b>	<b>10,066</b>	<b>117,061</b>	<b>11,625</b>	<b>117,061</b>

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

The useful life of software, 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 Notes to the consolidated accounts at 31 December 2021.

With regard to the considerations conducted as of June 30, 2022 regarding the impairment test of intangible assets with finite life and indefinite life, specifically goodwill, Fineco trademarks and domains, there are no indicators that would require adjustments to the related carrying amounts. For further details regarding the impairment test of intangible assets with indefinite useful lives, please refer to the paragraphs below.

#### 10.3 Other information

As of June 30, 2022, contractual commitments for the purchase of intangible assets amounted to € 288 thousand.

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.

## Part B - Consolidated Balance Sheet

### **Other information – Intangible assets indefinite life 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.

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 year 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 is made 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.

### **Impairment test results**

With regard to the results of the impairment test, it should be noted that as of June 30, 2022 there were no indicators of impairment of goodwill and Fineco brands and domains recorded in the financial statements. In this regard, it should be noted that as of June 30, 2022, the Bank has assessed that the changes reasonably estimated in the prospective data used as of December 31, 2021 are not such as to have a significant impact on the outcome, positive, of the impairment test carried out with reference to that date, the results of which confirmed the sustainability of the goodwill

## Part B - Consolidated Balance Sheet

recorded in the financial statements, not showing in any of the hypothesized scenarios the need for impairment, confirming a value in use significantly higher than the book value. The sensitivity analyses carried out on that date also show that the impairment test would reach a break-even level assuming changes currently not reasonably conceivable in the main parameters used in the valuation model (a discount rate after tax, "Ke", of over 20 percentage points, i.e. with a reduction of around 70% of annual earnings). It should also be noted that FinecoBank's stock has a market capitalization as of June 30, 2022 of € 6,968 million, significantly higher than the consolidated equity and the result of the model used for the impairment test, which confirms the reasonableness of the criteria applied in calculating value in use.

For more details on the impairment test and related sensitivity analysis, please refer to Part B - Information on the Consolidated Balance Sheet - Section 10 - Intangible Assets of the Notes to the consolidated accounts at 31 December 2021.

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

The item "Tax assets" amounting to € 44,681 thousand at June 30, 2022. It is made of "Deferred tax assets" of € 43,624 thousand, already net of the offset with "Deferred tax liabilities" of € 3,040 thousand, and "Current tax assets" of € 1,507 thousand.

The item "Tax liabilities" amounting to € 118,430 thousand at the same date, it is exclusively made of "Current tax liabilities". There are no "Deferred tax liabilities" as they are offset against "Deferred tax assets" for € 3,040 thousand.

#### Current Tax Assets and Liabilities

(Amounts in € thousand)

Assets/Amounts	Total	Total
	06/30/2022	12/31/2021
Current tax assets	1,057	-
Current tax liabilities	118,430	35,864

#### 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 € 45,386 thousand recognized as a balancing entry in the income statement;
- "Deferred tax assets" of € 1,278 thousand recognized as a balancing entry of shareholders' equity;
- "Deferred tax liabilities" of € 2,526 thousand recognized as a balancing entry in the income statement;
- "Deferred tax liabilities" of € 514 thousand recognized 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.

Regarding 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.

## Part B - Consolidated Balance Sheet

### 11.1 Deferred tax assets: breakdown

(Amounts in € thousand)

Assets/Amounts	Total 06/30/2022	Total 12/31/2021
<b>Allocations through profit or loss</b>	<b>42,979</b>	<b>42,007</b>
- of which Patent Box ex D.L. n.3/2015	10,988	8,791
- of which Provisions for Risks and Charges	18,224	19,329
- of which Realignment of goodwill art. 110 of D.L. n. 104/2020	9,909	10,011
- of which Other	3,858	3,876
<b>Allocations through equity</b>	<b>1,278</b>	<b>1,048</b>
- of which Revaluation reserve application IAS 19	262	1,048
- of which Financial assets at fair value through comprehensive income	1,016	-
<b>Impairment losses on receivables (of which pursuant to Law 214/2011)</b>	<b>2,407</b>	<b>2,772</b>
<b>Total before IAS 12 offset</b>	<b>46,664</b>	<b>45,827</b>
Offset against deferred tax liabilities - IAS 12	(3,040)	(2,853)
<b>Total</b>	<b>43,624</b>	<b>42,974</b>

### 11.2 Deferred tax liabilities: breakdown

(Amounts in € thousand)

Assets/Amounts	Total 06/30/2022	Total 12/31/2021
<b>Allocations through profit or loss</b>	<b>2,526</b>	<b>2,148</b>
- of which Goodwill and Brand	2,410	1,938
- of which Exposures in equity instruments with Voluntary Scheme	60	151
- of which Other	56	59
<b>Allocations through equity</b>	<b>514</b>	<b>705</b>
- of which Revaluation reserve application IAS 19	514	502
- of which Financial assets at fair value through comprehensive income	-	203
<b>Total before IAS 12 offset</b>	<b>3,040</b>	<b>2,853</b>
Offset against deferred tax assets - IAS 12	(3,040)	(2,853)
<b>Total</b>	<b>-</b>	<b>-</b>

## Part B - Consolidated Balance Sheet

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

No data to report.

### Section 13 – Other assets – Item 130

#### 13.1 Other assets: breakdown

(Amounts in € thousand)

	Total 06/30/2022	Total 12/31/2021
Trade receivables according to IFRS15	5,541	5,397
Tax credits purchased	827,217	508,764
Current receivables not related with the provision of financial services	2,167	1,299
Receivables due to disputed items not deriving from lending	129	-
Improvement and incremental expenses incurred on leasehold assets	4,328	5,236
Definitive items not recognised under other items:	16,228	14,593
- securities and coupons to be settled	1,762	1,435
- other transactions	14,466	13,158
Tax items other than those included in the item "Tax assets":	264,419	352,224
- tax advances	258,977	346,953
- tax credit	5,442	5,271
Items awaiting settlement	9,548	6,480
Items in processing	6,497	5,900
- POS, bancomat and Visa debit	6,470	5,897
- Others	27	3
Items in transit not allocated to relevant accounts	3	4
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	19,883	13,562
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	86,535	79,566
<b>Total</b>	<b>1,242,495</b>	<b>993,025</b>

Tax credits purchased include the carrying amount of tax credits purchased under Decree-Law 34/2020. They include both the tax credits acquired following their transfer by the direct beneficiaries and those acquired following their transfer by previous purchasers.

It should be noted that the Tax Credits pursuant to art. 121 of Law Decree 34/2020 purchased by FinecoBank on the secondary market, for an overall balance sheet amount of € 383,928 thousand, also include credits that have been subject to preventive seizure, for a purchased amount of € 38,996 thousand, by the judicial authorities in execution of a seizure order as part of criminal proceedings involving third parties. Given the Bank's total lack of involvement in the facts under investigation, in these consolidated interim financial statements the aforementioned receivables have remained recognised as tax receivables (item "Tax credits purchased"), in light of the principle that, where it is found that the transferor taxpayer was not entitled to deduct, the transferees are liable only for any use of the tax credit in an irregular manner or to a greater extent than the tax credit received (para. 6 of Art. 121 cited above) or in the case of concurrence, where they have omitted the specific diligence required at the time of purchase (see Revenue Agency, Circular No. 23/E of 23.6.2022 and earlier Circulars no. 24/E of 8 August 2020 and no. 30/E of 22 December 2020). In this regard, it should be noted that: i) since this is a sub-transfer, there was no relationship between FinecoBank and the original beneficiary of the deduction and that, in line with best practice, FinecoBank has put in place a series of thorough checks, also with the support of specialised companies, in order to prevent any form of liability; ii) both the clauses and protections included in the contract of assignment of the receivables in question, and the rules referred to therein (in particular, articles 1260 et seq. of the Italian Civil Code) provide adequate protection for FinecoBank, which can claim rights both in terms of the possible termination of the assignment (with the related restitutionary consequences) and in terms of compensation. Lastly, it should be noted that Article 3 of Decree-Law no. 13 of 25 February 2022, published in the Official Gazette on the same date, provides that, in the event that the tax credits pursuant to Articles 121 and 122 of Decree-Law no. 34 of 2020, converted, with amendments, by Law no. 77 of 2020, cannot be used because they have been seized by the judicial authorities, the time limit for the use of the quotas remaining at the time of the seizure is increased by a period equal to the duration of the seizure.



## 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 06/30/2022				Total 12/31/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
<b>1. Deposits from central banks</b>	<b>1,028,974</b>	X	X	X	<b>1,034,228</b>	X	X	X
<b>2. Deposits from banks</b>	<b>1,304,348</b>	X	X	X	<b>190,985</b>	X	X	X
2.1 Other current accounts and demand deposits	35,832	X	X	X	62,800	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	34,353	X	X	X	42,437	X	X	X
2.3.1 Repos	34,353	X	X	X	42,437	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Liabilities relating of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	3,886	X	X	X	3,910	X	X	X
2.6 Other liabilities	1,230,277	X	X	X	81,838	X	X	X
<b>Total</b>	<b>2,333,322</b>	-	<b>1,031,125</b>	<b>1,304,348</b>	<b>1,225,213</b>	-	<b>1,032,069</b>	<b>190,985</b>

**Key:**

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Item 1. "Deposits from central banks" only includes liquidity received by the central bank as part of TLTRO III operations. In particular, FinecoBank participated in the 6th and 7th tranches of the TLTRO III programme for a total amount of € 1,045 thousand.

Item 2.3.1 "Loans - Repos" does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" in table A.1.4 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidation - Quantitative information of these notes to the accounts.

Financial liabilities at amortised cost are presented on the basis of their fair value and fair value hierarchy for the sole purpose of fulfilling disclosure requirements. For further details, see paragraph "A.4 – Information on fair value" in Part A - Accounting policies of these notes to the accounts.

## Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

Transactions type/Amounts	Total 06/30/2022					Total 12/31/2021				
	BV	Fair Value				BV	Fair Value			
		L1	L2	L3	L1		L2	L3		
1. Current accounts and demand deposits	30,523,969	X	X	X		29,518,974	X	X	X	
2. Time deposits	-	X	X	X		1	X	X	X	
3. Loans	62,742	X	X	X		100,301	X	X	X	
3.1 Reverse repos	62,742	X	X	X		100,301	X	X	X	
3.2 Other	-	X	X	X		-	X	X	X	
4. Liabilities relating of commitments to repurchase treasury shares	-	X	X	X		-	X	X	X	
5. Lease payables	60,197	X	X	X		61,425	X	X	X	
6. Other liabilities	180,697	X	X	X		167,021	X	X	X	
<b>Total</b>	<b>30,827,605</b>	-	-	<b>30,827,605</b>		<b>29,847,722</b>	-	-	<b>29,847,722</b>	

**Key:**

BV = Book value  
L1 = Level 1  
L2 = Level 2  
L3 = Level 3

The item 3.1 "Loans – Reverse repos " does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" transactions in table A.1.5 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidation - Quantitative information of these notes to the accounts.

Financial assets and liabilities may be offset when the company currently has a legal right to offset the amounts recognised in the accounts and intends to settle for the net residual, or realise the asset and settle the liability at the same time, as required by IAS 32.

In addition to complying with IAS 32, the Bank only offsets financial assets and liabilities when:

- the transactions have the same explicit final settlement date;
- the right to set off the amount due to the counterparty against the amount due from the counterparty is legally enforceable in the ordinary course of business and in the event of default, insolvency or bankruptcy;
- either the counterparties intend to settle on a net basis or simultaneously, or the transactions are subject to a settlement mechanism that functionally results in the equivalent of net settlement.

In the table above, repo transactions entered into on the MTS and settled through a Central Counterparty have been shown netted.

Financial liabilities measured at amortised cost are presented on the basis of their fair value and fair value hierarchy for the sole purpose of fulfilling disclosure requirements. For further details, see paragraph "A.4 – Information on fair value" in Part A - Accounting policies of these notes to the accounts.

## Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

Type of securities/Values	Total 06/30/2022				Total 12/31/2021			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
<b>A. Debts securities including bonds</b>								
1. bonds	498,833	439,391	-	-	497,266	489,712	-	-
1.1 structured	-	-	-	-	-	-	-	-
1.2 other	498,833	439,391	-	-	497,266	489,712	-	-
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>498,833</b>	<b>439,391</b>	<b>-</b>	<b>-</b>	<b>497,266</b>	<b>489,712</b>	<b>-</b>	<b>-</b>

**Key:**

BV = Book value

L1 = Level 1

L2 = Level 2

L3 = Level 3

Financial liabilities measured at amortised cost are presented on the basis of their fair value and fair value hierarchy for the sole purpose of fulfilling disclosure requirements. For further details, see paragraph "A.4 – Information on fair value" in Part A - Accounting policies of these notes to the accounts.

## 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 06/30/2022					Total 12/31/2021				
	Fair Value					Fair Value				
	NA	Fair Value *				NA	Fair Value *			
	L1	L2	L3			L1	L2	L3		
<b>A. Cash liabilities</b>										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	584	224	-	1	225	589	272	-	-	272
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>584</b>	<b>224</b>	<b>-</b>	<b>1</b>	<b>225</b>	<b>589</b>	<b>272</b>	<b>-</b>	<b>-</b>	<b>272</b>
<b>B. Derivatives</b>										
1. Financial derivatives	X	5,513	1,366	-	X	X	2,214	1,931	-	X
1.1 Trading derivatives	X	5,513	1,366	-	X	X	2,214	1,931	-	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 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
<b>Total (B)</b>	<b>X</b>	<b>5,513</b>	<b>1,366</b>	<b>-</b>	<b>X</b>	<b>X</b>	<b>2,214</b>	<b>1,931</b>	<b>-</b>	<b>X</b>
<b>Total (A+B)</b>	<b>X</b>	<b>5,737</b>	<b>1,366</b>	<b>1</b>	<b>X</b>	<b>X</b>	<b>2,486</b>	<b>1,931</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 and commodities, Knock Out Options and Turbo Certificates issued, as well as derivative contracts regulated or entered into with institutional counterparties used for the operational hedging of the above mentioned derivatives. They amounted to € 1,659 thousand (€ 2,214 thousand as at December 31, 2021).

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 € 5,220 thousand (€ 1,931 thousand as at December 31, 2021).

## Part B - Consolidated Balance Sheet

### Section 3 - Financial liabilities designated at fair value - Item 30

No data to report.

### 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
	L1	L2	L3		L1	L2	L3	
		06/30/2022		06/30/2022		12/31/2021		12/31/2021
<b>A. Financial derivatives</b>	-	13,004	-	720,000	-	57,313	-	2,638,780
1) Fair value	-	13,004	-	720,000	-	57,313	-	2,638,780
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
<b>B. Credit derivatives</b>	-	-	-	-	-	-	-	-
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
<b>Total</b>	-	13,004	-	720,000	-	57,313	-	2,638,780

**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 06/30/2022	Total 12/31/2021
1. Positive changes to financial liabilities	3,698	7,950
2. Negative changes to financial liabilities	(14,121)	-
<b>Total</b>	<b>(10,423)</b>	<b>7,950</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)

Items/Amounts	Total 06/30/2022	Total 12/31/2021
Payables to Directors and Statutory auditors	190	337
Payables to employees	17,908	16,069
Social security contributions payable	6,294	7,818
Current payables not related to the provision of financial services	34,534	32,888
Payables for share-based payments	-	35
Definitive items not recognised under other items:	227,836	51,357
- securities and coupons to be settled	8,763	11,535
- payment authorisations	206,157	27,339
- other items	12,916	12,483
Tax items other than those included in the item "Tax liabilities":	32,434	102,033
- sums withheld from third parties as withholding agent	29,736	54,332
- other	2,698	47,701
Illiquid items for portfolio transactions	11,949	15,407
Items awaiting settlement:	98,287	88,879
- outgoing bank transfers	98,227	88,851
- POS and ATM cards	60	28
Items in processing:	1,872	1,018
- incoming bank transfers	1,849	986
- other items in processing	23	32
Accrued expenses and deferred income other than those related to contracts with customers and other than capitalised on the related financial assets or liabilities	287	361
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	17,709	17,886
Sums available to be paid to customers	21,931	8,756
<b>Total</b>	<b>471,231</b>	<b>342,844</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 06/30/2022	Total 12/31/2021
<b>A. Opening balance</b>	<b>5,033</b>	<b>4,924</b>
<b>B. Increases</b>	<b>25</b>	<b>163</b>
B.1 Provision of the year	25	32
B.2 Other increases	-	131
<b>C. Decreases</b>	<b>(824)</b>	<b>(54)</b>
C.1 Severance payments	(43)	(54)
C.2 Other decreases	(781)	-
<b>D. Closing balance</b>	<b>4,234</b>	<b>5,033</b>
<b>Total</b>	<b>4,234</b>	<b>5,033</b>

Description of the main actuarial assumptions	06/30/2022	12/31/2021
Discount rate	3.10%	1.00%
Expected inflation rate	2.50%	1.80%

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

#### 10.1 Provisions risk and charges: breakdown

(Amounts in € thousand)

Items/Components	Total 06/30/2022	Total 12/31/2021
1. Provisions for credit risk of commitments and financial guarantees given	99	52
2. Provisions for other commitments and other guarantees given	-	-
3. Provisions for retirement payments and similar obligations	-	-
4. Other provisions for risks and charges	104,996	116,704
4.1 legal and tax disputes	27,979	28,288
4.2 staff expenses	3,044	5,918
4.3 other	73,973	82,498
<b>Total</b>	<b>105,095</b>	<b>116,756</b>

For further details on the composition of the Provisions for risks and charges, please refer to the information provided at the end of table "10.6 Provisions for risks and charges - other provisions".



## Part B - Consolidated Balance Sheet

### 10.3 Funds for credit risk related to release financial obligations and warranties

(Amounts in € thousand)

	Funds for credit risk related to financial obligation and warranties release				Total
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
1. Loan commitments given	75	-	-	-	75
2. Financial guarantees given	24	-	-	-	24
<b>Total</b>	<b>99</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99</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.

### 10.6 Provisions for risks and charges - other provisions

(Amounts in € thousand)

	Total 06/30/2022	Total 12/31/2021
<b>Legal and fiscal disputes</b>	<b>27,979</b>	<b>28,288</b>
- Pending cases	20,210	20,635
- Complaints	4,033	3,917
- Tax disputes	3,736	3,736
<b>Staff expenses</b>	<b>3,044</b>	<b>5,918</b>
<b>Others</b>	<b>73,973</b>	<b>82,498</b>
- Supplementary customer indemnity provision	71,606	79,801
- Provision for contractual payments and payments under non-competition agreements	401	434
- Other provisions	1,966	2,263
<b>Total provisions for risks and charges - other provisions</b>	<b>104,996</b>	<b>116,704</b>

## Part B - Consolidated Balance Sheet

(Amounts in € thousand)

Provisions for risks and charges	Total	Uses	Transfers and other changes	Actuarial gains (losses) IAS 19R *	Net provisions**	Total
	12/31/2021					06/30/2022
<b>Legal and fiscal disputes</b>	<b>28,288</b>	<b>(1,583)</b>	<b>229</b>	<b>-</b>	<b>1,045</b>	<b>27,979</b>
- Pending cases	20,635	(1,350)	315	-	610	20,210
- Complaints	3,917	(233)	(86)	-	435	4,033
- Tax disputes	3,736	-	-	-	-	3,736
<b>Staff expenses</b>	<b>5,918</b>	<b>(5,914)</b>	<b>-</b>	<b>-</b>	<b>3,040</b>	<b>3,044</b>
<b>Others</b>	<b>82,498</b>	<b>(1,584)</b>	<b>-</b>	<b>(11,280)</b>	<b>4,339</b>	<b>73,973</b>
- Supplementary customer indemnity provision	79,801	(588)	-	(11,244)	3,637	71,606
- Provision for contractual payments and payments under non-competition agreements	434	-	-	(36)	2	400
- Other provisions	2,263	(996)	-	-	700	1,967
<b>Total provisions for risks and charges - other provisions</b>	<b>116,704</b>	<b>(9,081)</b>	<b>229</b>	<b>(11,280)</b>	<b>8,424</b>	<b>104,996</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. "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	06/30/2022	12/31/2021
Discount rate	3.10%	1.00%
Rate salary increase	0.00%	0.00%

For further information and details on the amount, timing and uncertainty of financial flows (sensitivity), please refer to the Consolidated Financial Statements at December 31, 2021.

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 for € 24,243 thousand (€ 24,552 thousand as at December 31, 2021). 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 to the extent that it is believed that they will not be reimbursed by the counterparties. 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** equal to € 71,606 thousand (€ 79,801 thousand as at December 31, 2021), 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.

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** equal to € 400 thousand (€ 434 thousand as at December 31, 2021) 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.

## Part B - Consolidated Balance Sheet

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 provision includes provisions for tax disputes (penalties and interest) for € 3,736 thousand (€ 3,736 thousand as at December 31, 2021).

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, for an amount of € 1,967 thousand (€ 2,263 thousand as at December 31, 2021) including, in particular, provisions for training events for financial advisors.

### 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, 2022, share capital came to € 201,340 thousand, comprising 610,119,860 ordinary shares with a par value of € 0.33 each.

As at 30 June 2022, the Group held in the portfolio 136,479 FinecoBank ordinary shares, in order to execute the PFA incentive plans of the Bank, corresponding to 0.02% of the share capital, for an amount of € 1,714 thousand. During first half 2022 n. 59,800 shares, for an amount of € 850 thousand, were purchased in relation to the "2021 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 5,527, n. 3,435, n. 8,227 and n. 28,998 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2017 PFA Incentive System", "2018 PFA Incentive System", "2019 PFA Incentive System" and "2020 PFA Incentive System", for an amount of € 576 thousand.

The Board of Directors of FinecoBank on February 9, 2022, considering the positive result of the verification of the minimum conditions of access at the Group level and the individual ones (behavior compliance and continuous employment), as well as the favourable opinion of the Remuneration Committee meeting on February 7, 2022, approved

- the allocation:
  - of the fourth share tranche of the 2016 plan, awarded in 2017, corresponding to 30,406 free ordinary shares, consistent with the maximum amount approved by the Board of Directors on January 12, 2016;
  - of the third share tranche of the 2017 plan, granted in 2018, corresponding to 28,457 free ordinary shares, consistent with the maximum amount approved by the Board of Directors on January 9, 2017;
  - of the second share tranche of the 2018 plan and the third share tranche of the severance agreed in 2018 for a key executive, granted in 2019, corresponding to a total of 42,049 free ordinary shares, consistent with the maximum amount approved by the Board of Directors on January 10, 2018;
  - of the second share tranche of the 2019 plan, granted in 2020, corresponding to 1,127 free ordinary shares, consistent with the maximum amount approved by the Board of Directors on January 10, 2019;
  - of the first share tranche of the 2020 plan, granted in 2021, corresponding to 65,749 free ordinary shares, consistent with the maximum amount approved by the Board of Directors on January 15, 2020

and, consequently, a bonus share capital increase in the total amount of € 55,370.04 corresponding to a total of 167,788 FinecoBank ordinary shares with a par value of € 0.33 each (having the same characteristics as those outstanding, regular dividend entitlement) effective March 31, 2022, in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meetings of April 11, 2017, April 11, 2018, April 10, 2019 and April 28, 2020 pursuant to Article 2443 of the Civil Code. The dilution effect resulting from the above free capital increases is quantified as 0.03% of fully diluted capital;

- the allocation of the second tranche in shares of the Plan, granted in 2018 and corresponding to 52,302 free ordinary FinecoBank shares, and, consequently, a free share capital increase in the total amount of € 17,259.66 effective March 31, 2022 in partial exercise of the delegation of authority to the Board of Directors granted by the Extraordinary Shareholders' Meeting of April 11, 2018 pursuant to Article 2443 of the Civil Code.

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

(Amounts in € thousand)

	Total 06/30/2022	Total 12/31/2021
Share capital	201,340	201,267
Share premium reserve	1,934	1,934
Reserves	785,531	650,202
- Legal reserve	40,268	40,253
- Extraordinary reserve	675,023	550,415
- Treasury shares reserve	1,714	1,440
- Other reserves	68,526	58,094
(Treasury shares)	(1,714)	(1,440)
Revaluation reserves	(174)	(5,877)
Equity instruments	500,000	500,000
Net Profit (Loss) for the year	222,363	380,711
<b>Total</b>	<b>1,709,280</b>	<b>1,726,797</b>

## Part B - Consolidated Balance Sheet

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

Items/Type	Ordinary	Others
<b>A. Shares outstanding at the beginning of the year</b>	<b>609,776,904</b>	-
- fully paid	609,899,770	-
- not fully paid	-	-
A.1 treasury shares (-)	(122,866)	-
<b>A.2 Shares outstanding: Opening balance</b>	<b>609,776,904</b>	-
<b>B. Increases</b>	<b>266,277</b>	-
B.1 New issues	220,090	-
- against payment:	-	-
- business combination	-	-
- bonds converted	-	-
- warrants exercised	-	-
- others	-	-
- free:	220,090	-
- to employees	211,819	-
- to directors	-	-
- others	8,271	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	46,187	-
<b>C. Decreases</b>	<b>(59,800)</b>	-
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(59,800)	-
C.3 Business transferred	-	-
C.4 Other changes	-	-
<b>D. Shares outstanding: closing balance</b>	<b>609,983,381</b>	-
D.1 Treasury shares (+)	136,479	-
D.2 Shares outstanding at the end of the year	610,119,860	-
- fully paid	610,119,860	-
- not fully paid	-	-

The item B.3 "Other changes" reports the shares allocated to the personal financial advisors under the stock granting plans "2017 PFA Plan", "2018 PFA Plan", "2019 PFA Plan" and "2020 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.

## Part B - Consolidated Balance Sheet

### 13.4 Reserves from allocation of profit from previous years: other information

The reserves from profits consist of the:

- Legal reserve, amounting to € 40,268 thousand;
- Extraordinary reserves, amounting to € 675,023 thousand, of which € 86,354 thousand subject to a taxability restriction in the event of distribution, allocated following the tax realignment of goodwill provided for by article 110 of Decree-Law 104 of 2020, and shown net of the negative reserve that includes the losses recognised in the 2021 income statement as a result of the equity valuation of Hi-MTF Sim S.p.A., subject to significant influence, in the amount of €26 thousand;
- Reserve for treasury shares held, amounting to € 1,714 thousand;
- Consolidation reserve, amounting to € 28,166 thousand;
- Reserves of unavailable profits pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 1,493 thousand.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", the Board of Directors of FinecoBank held on February 9, 2022 approved execution of the incentive/loyalty systems with a consequent increase in share capital, against with the reserves from profits have been reduced, extraordinary reservers in particular, for an amount of € 73 thousand. The same reserve was also used for the payment of costs directly attributable to the aforementioned capital increase operations, for an amount of € 7 thousand net of the related taxes.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", during first half 2022 n. 59,800 shares, for an amount of € 850 thousand, were purchased in relation to the "2021 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 5,527, n. 3,435, n. 8,227 and n. 28,998 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2017 PFA Incentive System", "2018 PFA Incentive System", "2019 PFA Incentive System" and "2020 PFA Incentive System", for an amount of € 576 thousand. Consequently, the Reserve for treasury shares increased by a total of € 274 thousand, with a simultaneous reduction in the Extraordinary reserve.

The FinecoBank Shareholders' Meeting of April 28, 2022 approved the allocation of profit for the year 2021 of FinecoBank S.p.A. amounting to € 368,601 thousand, as follows:

- to the 610,119,860 ordinary shares with a par value of € 0.33, constituting the share capital including 220,090 shares related to the capital increase to support the employee incentive system approved by the Board of Directors on February 9, 2022, a unit dividend of € 0.39 totaling € 237,947 thousand;
- € 15 thousand to the Legal reserve, corresponding to 0.004% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 130,640 thousand to the extraordinary reserves.

The portion of dividends not distributed in respect of the Bank's treasury shares held on the record date, amounting to € 53 thousand, was turned over to the Extraordinary Reserves.

In addition, during the first half 2022, Extraordinary Reserves were used for the payment of the Additional Tier 1's coupons issued by the Bank on 31 January 2018, for € 3,494 thousand net of the related taxation, and for the payment of transaction costs directly attributable to the issue and of the coupon of the Additional Tier 1 issued on 11 July 2019, for an amount of € 6,389 thousand net of the related taxation.

Lastly, it should be recalled that, pursuant to Article 6, paragraph 1, letter a) of Legislative Decree No. 38/2005, a portion of the profits for the year corresponding to the capital gains recorded in the income statement, net of the related tax charge and other than those attributable to trading financial instruments and foreign exchange and hedging operations, which result from the application of the fair value or equity criterion, must be recorded in a reserve that is unavailable. This reserve has been released and allocated to Extraordinary reserve in the amount of € 4,153 thousand, corresponding to the change in capital gains, including due to realization, recognized in fiscal year 2021.

## Part B - Consolidated Balance Sheet

### 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>28</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%.

No Equity Instruments were issued during the first half 2022.

### 13.6 Other information

No data to report.

### Section 14 – Minority interests – Item 190

No data to report.

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<sup>28</sup> Unrated and unlisted

## Part B - Consolidated Balance Sheet

### OTHER INFORMATION

Table "1. Commitments and financial guarantees issued" shows the commitments and guarantees subject to valuation in accordance with IFRS 9. Table "2. Other commitments and other guarantees given" shows the commitments and guarantees that are not subject to measurement according to this standard.

#### 1. Commitments and financial guarantees issued

(Amounts in € thousand)

	Nominal value of commitments and financial guarantees given				Total 06/30/2022	Total 12/31/2021
	Stage 1	Stage 2	Stage 3	Purchased or originated credit- impaired financial assets		
<b>1. Commitment to supply funds</b>	<b>38,737</b>	<b>380</b>	<b>22</b>	<b>-</b>	<b>39,139</b>	<b>18,222</b>
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	18	-	-	-	18	-
e) Non-financial companies	-	-	-	-	-	55
f) Families	38,719	380	22	-	39,121	18,167
<b>2. Financial guarantees issued</b>	<b>28,455</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,455</b>	<b>27,533</b>
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	17,170	-	-	-	17,170	17,170
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-	-
f) Families	11,285	-	-	-	11,285	10,363

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, 2021)



## Part B - Consolidated Balance Sheet

### 2. Other commitments and other guarantees given

(Amounts in € thousand)

	Nominal amount	Nominal amount
	Total 06/30/2022	Total 12/31/2021
<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>2,293,898</b>	<b>2,031,840</b>
of which: impaired credit exposures	81	85
a) Central Banks	-	-
b) Governments	-	-
c) Banks	6,685	1,349
d) Other financial companies	27,603	21,237
e) Non-financial companies	2,569	613
f) Households	2,257,041	2,008,641

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	Amounts
	06/30/2022	12/31/2021
1. Financial assets at fair value through profit and loss	-	2
2. Financial assets at fair value through other comprehensive income	-	-
3. Financial assets at amortized cost	6,103,361	4,611,751
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, mainly government bonds, pledged as collateral of 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;
- debt securities, mainly government bonds, engaged in securities lending transaction (collateral switch transaction and unsecured lending);
- debt securities, mainly government bonds, pledged as collateral for bankers' drafts, as guarantee for transactions with the Cassa di Compensazione e Garanzia, to guarantee the operation 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, mainly securities of supranational issuers, pledged as collateral for the TLTRO III program. It should be noted that some of the securities pledged as collateral, amounting to € 76,687 thousand, are available as the Bank has drawn down a smaller amount than the credit line granted by the Central Bank;
- 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

In addition to the assets shown in the table above, the Group recognised variation margins, initial margins and guarantee deposits, including the default fund, against transactions in derivative contracts and financial instruments totalling € 274,412 thousand (€ 257,346 thousand at 31 December 2021) in "Financial assets at amortised cost".

### 4. Breakdown of investments for unit-linked and index-linked policies

No data to report.

### 8. Securities lending transactions

The Group, in particular the Bank, 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 Bank operates either as a borrower, borrowing securities from its customers, or as a lender, using the borrowed securities for cash-secured securities lending transactions with retail and institutional customers interested in temporary ownership of securities or lending proprietary securities, without collateral or with collateral represented by other securities, to institutional customers interested in temporary ownership.

Against securities lending transactions guaranteed by other securities carried out by the Bank as a borrower with retail customers ("remunerated Portfolio"), the Bank 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 received on a loan and not recognised as assets in the accounts totalled € 45,794 thousand, for a fair value of € 88,737 thousand, as detailed in the table below. Securities borrowed under securities lending transactions secured by sums of money at the lender's full disposal, which are equivalent to repurchase agreements on securities, recognised in Financial assets measured at amortised cost, are excluded.

The carrying amount of own securities recognised in Financial assets at amortised cost and delivered in securities lending transactions without collateral or with collateral represented by other securities is € 2,115,556 thousand.

(Amounts in € thousand)

Securities received on loan from:	Type of securities - Nominal value June 30, 2022		
	Sold	Sold in repos	Other purposes
Banks	-	-	-
Financial companies	-	6	-
Insurance companies	-	-	-
Non-financial companies	-	101	10
Other entities	551	40,915	4,153
<b>Total nominal value</b>	<b>551</b>	<b>41,061</b>	<b>4,182</b>

(Amounts in € thousand)

Securities received on loan from:	Type of securities - Fair value June 30, 2022		
	Sold	Sold in repos	Other purposes
Banks	-	-	-
Financial companies	-	507	4
Insurance companies	-	-	-
Non-financial companies	-	786	14
Other entities	225	73,055	14,146
<b>Total fair value</b>	<b>225</b>	<b>74,348</b>	<b>14,164</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/Technical forms	Debt securities	Loans	Other operations	Total 06/30/2022	Total 06/30/2021
<b>1. Financial assets at fair value through profit and loss:</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	2	-	-	2	2
<b>2. Financial assets at fair value through other comprehensive income</b>	<b>86</b>	<b>-</b>	<b>X</b>	<b>86</b>	<b>499</b>
<b>3. Financial assets at amortised cost:</b>	<b>98,745</b>	<b>41,211</b>	<b>X</b>	<b>139,956</b>	<b>134,537</b>
3.1 Loans and receivables with banks	20,284	220	X	20,504	33,396
3.2 Loans and receivables with customers	78,461	40,991	X	119,452	100,541
<b>4. Hedging derivatives</b>	<b>X</b>	<b>X</b>	<b>(24,796)</b>	<b>(24,796)</b>	<b>(16,194)</b>
<b>5. Other assets</b>	<b>X</b>	<b>X</b>	<b>5,388</b>	<b>5,388</b>	<b>291</b>
<b>6. Financial liabilities</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>8,880</b>	<b>6,322</b>
<b>Total</b>	<b>98,833</b>	<b>41,211</b>	<b>(19,408)</b>	<b>129,516</b>	<b>125,457</b>
of which: income interests on impaired financial assets	-	120	-	120	118
of which: interest income on financial lease	X	-	X	-	-

The comparative figures for the first half 2022 have been restated in line with the amendment to the balance sheet introduced by the 7th update of 29 October 2021 of Bank of Italy Circular 262, which provides for the recognition of current accounts and demand deposits with banks under item 10. "Cash and cash balances". Interest accrued on these on-demand receivables is recognised in item "5. Other assets", while in the 2021 consolidated interim Financial Statements it was recognised in item "3. Financial assets at amortised cost: 3.1 Loans and receivables with banks".

The Item 6. "Financial liabilities" also includes the interest accrued on the TLTRO III transaction, for an amount of € 5,254 thousand (€ 5,035 thousand as of June 30, 2021).

## Part C - Consolidated Income Statement

### 1.3 Interest expenses and similar charges: breakdown

(Amounts in € thousand)

Items/Technical forms	Debts	Securities	Other operations	Total 06/30/2022	Total 06/30/2021
1. Financial liabilities at amortized cost	(1,145)	(1,567)	X	(2,712)	(940)
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(51)	X	X	(51)	(106)
1.3 Deposits from customers	(1,094)	X	X	(1,094)	(834)
1.4 Debt securities in issue	X	(1,567)	X	(1,567)	-
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	(2,344)	(2,693)
<b>Total</b>	<b>(1,145)</b>	<b>(1,567)</b>	<b>-</b>	<b>(5,056)</b>	<b>(3,633)</b>
of which: interest expenses on lease liabilities	(482)	X	X	(482)	(491)

## 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 service/Values	Total 06/30/2022	Total 06/30/2021
a) Financial instruments	72,074	87,574
1. Securities placement	7,682	10,510
1.1 Under firm assumption and/or on the basis of an irrevocable commitment	-	-
1.2 Without firm commitment	7,682	10,510
2. Receipt and transmission of orders and execution for customers	51,357	64,375
2.1 Receipt and transmission of orders for one or more financial instruments	14,582	24,571
2.2 Execution of orders on behalf of customers	36,775	39,804
3. Other fees connected with activities related to financial instruments	13,035	12,689
of which: trading on own account	13,035	12,689
of which: management of individual portfolios	-	-
b) Corporate Finance	-	-
1. Merger and Acquisition Advice	-	-
2. Treasury services	-	-
3. Other fees associated with corporate finance services	-	-
c) Investment advisory activities	37,016	37,493
d) Clearing and settlement	-	-
e) Collective Portfolio Management	149,728	105,422
f) Custody and administration	502	221
1. Custodian bank	-	-
2. Other fees related to custody and administration	502	221
g) Central administrative services for collective portfolio management	-	-
h) Trust business	15	17
i) Payment services	39,490	34,098
1. Current accounts	12,344	11,538
2. Credit cards	14,944	12,970
3. Debit and other payment cards	7,310	5,696
4. Wire transfers and other payment orders	4,892	3,894
5. Other fees related to payment services	-	-
j) Distribution of third party services	153,296	149,258
1. Collective portfolio management	93,824	98,963
2. Insurance products	57,639	48,945
3. Other products	1,833	1,349
of which: individual portfolio management	1,824	1,349
k) Structured Finance	-	-
l) Servicing for securitization transactions	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees issued	46	19
of which: credit derivatives	-	-
o) Financing operations	110	265
of which: for factoring transactions	-	-
p) Currency trading	-	-
q) Goods	-	-
r) Other commission income	726	849
of which: for management activities of multilateral trading systems	-	-
of which: for management activities of organized trading systems	-	-
s) Securities lending transactions	4,502	5,188
<b>Total</b>	<b>457,505</b>	<b>420,403</b>

## Part C - Consolidated Income Statement

The information on "Fee and Commission income: breakdown" has been modified following the entry into force of the 7th update of 29 October 2021 of Circular No. 262 "Bank financial statements: layouts and preparation", applicable from the financial statements for the year ended 31 December 2021. For the sake of consistency of comparison, the figures for the first half 2021 have also been restated.

Lastly, it should be noted that item j) "Distribution of third party services 1. Collective portfolio management" also includes the maintenance commissions for UCIT units equal to € 89,850 thousand (€ 95,703 thousand in first half 2021).

### 2.2 Fee and commission expenses: breakdown

(Amounts in € thousand)

Services/Amounts	Total 06/30/2022	Total 06/30/2021
a) Financial instruments	(5,385)	(5,020)
of which: trading of financial instruments	(5,385)	(5,020)
of which: placement of financial instruments	-	-
of which: management of individual portfolios	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	(2,794)	(3,307)
c) Management of collective portfolios	(15,990)	(15,148)
1. Own	-	-
2. Delegated to third parties	(15,990)	(15,148)
d) Custody and administration	(2,319)	(2,275)
e) Payment and collection services	(11,464)	(8,992)
of which: credit cards, debit cards and other payment cards	(8,034)	(5,879)
f) Servicing activities for securitization transactions	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	-	-
of which: credit derivatives	-	-
i) Off-site offering of financial instruments, products and services	(183,609)	(168,587)
j) Currency trading	-	-
k) Other commission expenses	(415)	(45)
l) securities lending transactions	(514)	(804)
<b>Total</b>	<b>(222,490)</b>	<b>(204,178)</b>

The information on "Fee and Commission expenses: breakdown" has been modified, as provided for by the 7th update of Circular No. 262 "Bank financial statements: layouts and preparation", applicable starting from the financial statements for the year ending 31 December 2021. For the sake of consistency of comparison, the figures for the first half 2021 have also been restated.

Item "i) Off-site offering 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 € 560 thousand (€ 474 thousand as of 30 June 2021).

## Part C - Consolidated Income Statement

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

#### 3.1 Dividend income and similar revenues: breakdown

(Amounts in € thousand)

Items/Income	Total 06/30/2022		Total 06/30/2021	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	138	-	84	-
B. Other financial assets mandatorily at fair value	19	-	30	-
C. Financial assets at fair value through other comprehensive income	-	-	-	-
D. Equity investments	-	-	-	-
<b>Total</b>	<b>157</b>	<b>-</b>	<b>114</b>	<b>-</b>

## Part C - Consolidated Income Statement

### Section 4 – Gains (losses) on financial assets and liabilities held for trading – Item 80

#### 4.1 Gains (losses) on financial assets and liabilities held for trading: breakdown

As at June 30, 2022

(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>12</b>	<b>116,631</b>	<b>(878)</b>	<b>(112,188)</b>	<b>3,577</b>
1.1 Debt securities	-	3,505	-	(3,127)	378
1.2 Equity instruments	12	112,217	(865)	(108,253)	3,111
1.3 UCITS units	-	909	(13)	(808)	88
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	<b>10</b>	<b>145</b>	<b>(1)</b>	<b>(98)</b>	<b>56</b>
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	10	145	(1)	(98)	56
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>10,639</b>
<b>4. Derivatives</b>	<b>12,614</b>	<b>137,682</b>	<b>(10,431)</b>	<b>(113,269)</b>	<b>29,236</b>
4.1 Financial derivatives:	12,614	137,682	(10,431)	(113,269)	29,236
- On debt securities and interest rates	225	748	(206)	(707)	60
- On equity securities and share indices	12,263	114,510	(9,911)	(94,143)	22,719
- On currency and gold	X	X	X	X	2,640
- Others	126	22,424	(314)	(18,419)	3,817
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
<b>Total</b>	<b>12,636</b>	<b>254,458</b>	<b>(11,310)</b>	<b>(225,555)</b>	<b>43,508</b>



## Part C - Consolidated Income Statement

As at June 30, 2021

(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>204</b>	<b>92,342</b>	<b>(189)</b>	<b>(83,699)</b>	<b>8,658</b>
1.1 Debt securities	-	1,547	-	(1,433)	114
1.2 Equity instruments	204	90,042	(189)	(81,552)	8,505
1.3 UCITS units	-	753	-	(714)	39
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
<b>2. Financial liabilities held for trading</b>	<b>2</b>	<b>283</b>	<b>(1)</b>	<b>(387)</b>	<b>(103)</b>
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	2	283	(1)	(387)	(103)
<b>3. Financial assets and liabilities: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>13,268</b>
<b>4. Derivatives</b>	<b>10,106</b>	<b>78,443</b>	<b>(9,812)</b>	<b>(65,248)</b>	<b>16,222</b>
4.1 Financial derivatives:	10,106	78,443	(9,812)	(65,248)	16,222
- On debt securities and interest rates	88	417	(94)	(166)	245
- On equity securities and share indices	9,870	69,868	(9,648)	(58,850)	11,240
- On currency and gold	X	X	X	X	2,733
- Others	148	8,158	(70)	(6,232)	2,004
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
<b>Total</b>	<b>10,312</b>	<b>171,068</b>	<b>(10,002)</b>	<b>(149,334)</b>	<b>38,045</b>

## Part C - Consolidated Income Statement

### 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 06/30/2022	Total 06/30/2021
<b>A. Gains on:</b>		
A.1 Fair value hedging instruments	1,099,627	160,157
A.2 Hedged asset items (in fair value hedge relationship)	-	317
A.3 Hedged liability items (in fair value hedge relationship)	22,070	4,820
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
<b>Total gains on hedging activities (A)</b>	<b>1,121,697</b>	<b>165,294</b>
<b>B. Losses on:</b>		
B.1 Fair value hedging instruments	(22,171)	(5,115)
B.2 Financial assets items (in fair value hedge relationship)	(1,084,103)	(158,630)
B.3 Hedged liability items (in fair value hedge relationship)	(3,698)	-
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
<b>Total losses on hedging activities (B)</b>	<b>(1,109,972)</b>	<b>(163,745)</b>
<b>C. Fair value adjustments in hedge accounting (A-B)</b>	<b>11,725</b>	<b>1,549</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 06/30/2022			Total 06/30/2021		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
<b>Financial assets</b>						
1. Financial assets at amortized cost	49,137	-	49,137	23,630	(71)	23,559
1.1 Loans and receivables with banks	-	-	-	5,073	-	5,073
1.2 Loans and receivables with customers	49,137	-	49,137	18,557	(71)	18,486
2. Financial assets at fair value through other comprehensive income	309	-	309	-	-	-
2.1 Debt securities	309	-	309	-	-	-
2.2 Loans	-	-	-	-	-	-
<b>Total assets (A)</b>	<b>49,446</b>	<b>-</b>	<b>49,446</b>	<b>23,630</b>	<b>(71)</b>	<b>23,559</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>

It should be noted that the economic effects arising from sales of financial assets at amortised, recorded at item 100. "Gains (losses) on disposals/repurchases of: a) financial assets at amortised cost", took place in accordance with IFRS 9 and in application of the rules defined for the HTC business model.

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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.

### 7.2 Gain (losses) on financial assets and liabilities measured at fair value through profit and loss: breakdown of other financial assets mandatorily at fair value

As at June 30, 2022

(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</b>	<b>-</b>	<b>(692)</b>	<b>(297)</b>	<b>(988)</b>
1.1 Debt securities	-	-	(6)	-	(6)
1.2 Equity securities	1	-	(672)	(152)	(823)
1.3 UCITS units	-	-	(14)	(145)	(159)
1.4 Loans	-	-	-	-	-
<b>2. Financial assets: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>441</b>
<b>Total</b>	<b>1</b>	<b>-</b>	<b>(692)</b>	<b>(297)</b>	<b>(547)</b>

As at June 30, 2021

(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>386</b>	<b>90</b>	<b>(16)</b>	<b>(2)</b>	<b>458</b>
1.1 Debt securities	-	-	(2)	-	(2)
1.2 Equity securities	386	90	(14)	-	462
1.3 UCITS units	-	-	-	(2)	(2)
1.4 Loans	-	-	-	-	-
<b>2. Financial assets: exchange differences</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>405</b>
<b>Total</b>	<b>386</b>	<b>90</b>	<b>(16)</b>	<b>(2)</b>	<b>863</b>

## Part C - Consolidated Income Statement

### Section 8 – Impairment losses/writebacks - Item 130

#### 8.1 Net impairment for credit risk related to financial assets at amortized cost: breakdown

(Amounts in € thousand)

Transactions/Income	Adjustments (1)						Write-backs (2)				Total 06/30/2022	Total 06/30/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit- impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit- impaired		
			Write-off	Others	Write-off	Others						
<b>A. Loans and receivables with banks</b>	<b>(65)</b>	-	-	-	-	-	<b>12</b>	-	-	-	<b>(53)</b>	<b>98</b>
- Loans	(19)	-	-	-	-	-	11	-	-	-	(8)	47
- Debt securities	(46)	-	-	-	-	-	1	-	-	-	(45)	51
<b>B. Loans and receivables with customers</b>	<b>(2,945)</b>	<b>(487)</b>	<b>(43)</b>	<b>(2,064)</b>	-	-	<b>2,442</b>	<b>313</b>	<b>907</b>	-	<b>(1,877)</b>	<b>(517)</b>
- Loans	(1,780)	(487)	(43)	(2,064)	-	-	1,986	313	907	-	(1,168)	(1,700)
- Debt securities	(1,165)	-	-	-	-	-	456	-	-	-	(709)	1,183
<b>Total</b>	<b>(3,010)</b>	<b>(487)</b>	<b>(43)</b>	<b>(2,064)</b>	-	-	<b>2,454</b>	<b>313</b>	<b>907</b>	-	<b>(1,930)</b>	<b>(419)</b>

The table above conventionally shows the net impairment for credit risk in respect of on-demand deposits to banks and central banks recognised in the item "Cash and cash balances", as ruled in Circular No. 262 "Banks' financial statements: layouts and preparation".

#### 8.1a Net impairment for credit risk related to loans and advances at amortized cost subject to measures applied in response to the COVID-19: breakdown

(Amounts in € thousand)

Operation / P&L item	Net Adjustments						Total 06/30/2022	Total 06/30/2021
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired			
			Write-off	Others	Write-off	Others		
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	(49)
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-
3. Other loans and advances subject to COVID-19-related forbearance measures	-	-	(1)	-	-	-	(1)	(30)
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	(1)	-	-	-	(1)	(79)

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### 8.2 Net impairment losses related to: financial assets measured at fair value with an impact on overall profitability

(Amounts in € thousand)

Transactions/Income	Adjustments (1)						Write - backs (2)				Total	Total		
	Stage 1		Stage 2		Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2			Stage 3	Purchased or originated credit-impaired
	Write-off	Others	Write-off	Others	Write-off	Other								
A. Debt Securities	(1)	-	-	-	-	-	-	-	-	-	-	(1)	5	
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	
- To clients	-	-	-	-	-	-	-	-	-	-	-	-	-	
- To banks	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>5</b>	

#### 8.2.a Net impairment for credit risk related to loans and advances at fair value with an impact on overall profitability subject to measures applied in response to the COVID-19: breakdown

No information to report.

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### 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 06/30/2022			Total 06/30/2021		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
1. Financial assets valued at amortized cost	-	(1)	(1)	2	(2)	-
1.1 Receivables from banks	-	-	-	-	-	-
1.2 Receivables from customers	-	(1)	(1)	2	(2)	-
2. Financial assets valued at fair value through other comprehensive income	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>(1)</b>	<b>(1)</b>	<b>2</b>	<b>(2)</b>	<b>-</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.

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### Section 12 – Administrative expenses – Item 190

#### 12.1 Staff expenses: breakdown

(Amounts in € thousand)

Type of expenses/Sectors	Total	
	06/30/2022	06/30/2021
1) Employees	(56,470)	(51,808)
a) wages and salaries	(38,555)	(35,533)
b) social security contributions	(9,148)	(8,864)
c) pension costs	(381)	(374)
d) severance pay	-	-
e) allocation to employee severance pay provision	(57)	(85)
f) provision for retirements and similar provisions:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(2,661)	(2,525)
- defined contribution	(2,661)	(2,525)
- defined benefit	-	-
h) costs related to share-based payments	(2,491)	(2,151)
i) other employee benefits	(3,180)	(2,279)
j) recovery of expenses for employees seconded	3	3
2) Other staffs	-	(4)
3) Directors and statutory auditors	(1,068)	(1,072)
4) Early retirement costs	-	-
<b>Total</b>	<b>(57,538)</b>	<b>(52,884)</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 € 2,491 thousand (€ 2,151 thousand as at June 30, 2021).



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### 12.4 Other employee benefits

(Amounts in € thousand)

Type of expense/Amounts	Total 06/30/2022	Total 06/30/2021
Leaving incentives	(1)	(4)
Medical plan	(806)	(785)
Luncheon vouchers	(352)	(71)
Other	(2,021)	(1,419)
<b>Total</b>	<b>(3,180)</b>	<b>(2,279)</b>

The item "Other" mainly includes the cash component of benefits relating to employee incentive plans, amounting to € 1,491 thousand.

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### 12.5 Other administrative expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 06/30/2022	Total 06/30/2021
<b>1) INDIRECT TAXES AND DUTIES</b>	<b>(71,723)</b>	<b>(70,307)</b>
<b>2) MISCELLANEOUS COSTS AND EXPENSES</b>		
<b>A) Advertising expenses - Marketing and communication</b>	<b>(13,720)</b>	<b>(11,370)</b>
Mass media communications	(11,893)	(10,002)
Marketing and promotions	(1,611)	(1,187)
Sponsorships	(212)	(174)
Conventions and internal communications	(4)	(7)
<b>B) Expenses related to credit risk</b>	<b>(819)</b>	<b>(764)</b>
Credit recovery expenses	(183)	(174)
Commercial information and company searches	(636)	(590)
<b>C) Expenses related to personnel and to personal financial advisors</b>	<b>(1,290)</b>	<b>(1,514)</b>
Other staff expenses	(333)	(409)
Personal financial advisor expenses	(957)	(1,105)
<b>D) ICT expenses</b>	<b>(25,904)</b>	<b>(23,797)</b>
Lease of ICT equipment and software	(1,162)	(1,568)
Software expenses: lease and maintenance	(6,593)	(5,946)
ICT communication systems, messaging and phone expenses	(3,111)	(2,904)
Consultancy and ICT services provided by third parties	(6,711)	(6,343)
Financial information providers	(8,327)	(7,036)
<b>E) Consultancies and professional services</b>	<b>(2,145)</b>	<b>(2,275)</b>
Consultancies and professional services	(1,782)	(1,503)
Legal expenses and disputes	(63)	(97)
Auditing company expenses	(300)	(675)
<b>F) Furniture, machinery and equipment expenses and Real estate expenses</b>	<b>(2,948)</b>	<b>(2,587)</b>
Repair and maintenance of furniture, machinery, and equipment	(127)	(160)
Maintenance and cleaning of premises	(692)	(771)
Premises rentals	(460)	(443)
Utilities and condominium expenses	(1,669)	(1,213)
<b>G) Other functioning costs</b>	<b>(14,836)</b>	<b>(14,289)</b>
Postage and transport of documents	(1,596)	(1,761)
Administrative, logistic and call center services	(7,964)	(8,520)
Insurance	(2,161)	(1,937)
Association dues and fees	(1,732)	(985)
Other administrative expenses	(1,383)	(1,086)
<b>H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)</b>	<b>(7,726)</b>	<b>(7,705)</b>
<b>Total</b>	<b>(141,111)</b>	<b>(134,608)</b>

Item "H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)" shows the costs recorded in the first half 2022 for the ordinary, additional and supplementary contribution paid to the *Single Resolution Fund*, in the total amount of € 7,601 thousand (€ 5,812 thousand in the first half 2021). It should be noted that Bank of Italy, in the first half 2021, required an additional contribution paid to the Single Resolution Fund (Regulated by Article 1, Paragraph 848 of Law No. 208/2015), amounting to € 1,893 thousand. For further details, see Part A - Accounting policies of these notes to the accounts.

The same item includes an additional € 125 thousand related to the contribution to the operating expenses of the Voluntary Scheme, whose call was resolved by the General Meeting of the member banks of the Voluntary Scheme at the meeting held on February 28, 2022. Specifically, the expenses of operation recalled from member banks refer to:

- € 475 thousand, as per 2022 budget;

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- € 3.5 million to restore the resources of the Voluntary Scheme, with a view to the continuation of its activities, including those aimed at realizing the subordinated bonds issued by Banca Carige and the tranches of the Berenice securitization. This also with a view to repaying, with the timing associated with the realization of fixed assets and financial assets, as well as liquidity time to time available, the existing debt to the FITD, amounting to € 11.3 million.

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

#### 13.1 Net provisions for risks and charges relating to commitments and financial guarantees given: breakdown

(Amounts in € thousand)

Transactions/Income items	Impairment		Write-backs		Total 06/30/2022	Total 06/30/2021
	Stage 1 and Stage 2	Stage 3	Stage 1 and Stage 2	Stage 3		
1. Commitments	(73)	-	26	-	(47)	(27)
2. Financial guarantees given	(5)	-	4	-	(1)	(8)
<b>Total</b>	<b>(78)</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>(48)</b>	<b>(35)</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 to other provisions for risks and charges: breakdown

(Amounts in € thousand)

Items/Income items	Total 06/30/2022			Total 06/30/2021		
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
Legal and fiscal disputes	(2,920)	1,875	(1,045)	(2,618)	1,370	(1,248)
Supplementary customer indemnity provision	(3,637)	-	(3,637)	(3,231)	-	(3,231)
Other provisions for risks and charges	(252)	162	(90)	(1,868)	29	(1,839)
<b>Total</b>	<b>(6,809)</b>	<b>2,037</b>	<b>(4,772)</b>	<b>(7,717)</b>	<b>1,399</b>	<b>(6,318)</b>

The item "Provisions" also include changes due to the passing of time and changes in the discount rate.

## 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 (a)	Write-downs (b)	Write-backs (c)	Net profit (loss)	Net profit (loss)
				06/30/2022 (a + b - c)	06/30/2021 (a + b - c)
A. Property, plant and equipment	(9,804)	(2)	-	(9,806)	(9,394)
1 Owned	(9,750)	(2)	-	(9,752)	(9,340)
- Used in the business	(4,243)	(2)	-	(4,245)	(3,912)
- Held for investment	(5,507)	-	-	(5,507)	(5,428)
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>(9,804)</b>	<b>(2)</b>	<b>-</b>	<b>(9,806)</b>	<b>(9,394)</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.

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the notes to the consolidated accounts as of December 31, 2021.

## Part C - Consolidated Income Statement

### 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 (a)	Write-downs (b)	Write-backs (c)	Net profit (loss)	
				06/30/2022	06/30/2021
				(a + b - c)	(a + b - c)
A. Intangible assets	(3,385)	-	-	(3,385)	(3,266)
of which: software	(3,335)	-	-	(3,335)	(3,190)
A.1 Owned	(3,385)	-	-	(3,385)	(3,266)
- Generated internally by the company	-	-	-	-	-
- Others	(3,385)	-	-	(3,385)	(3,266)
A.2 Right of use held under finance lease	-	-	-	-	-
<b>Total</b>	<b>(3,385)</b>	<b>-</b>	<b>-</b>	<b>(3,385)</b>	<b>(3,266)</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, 2021.

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
	06/30/2022	06/30/2021
Refunds and allowances	(134)	(158)
Penalties, fines and unfavourable rulings	(344)	(145)
Improvements and incremental expenses incurred on leasehold properties	(979)	(1,125)
Exceptional write-downs of assets	(19)	(8)
Other operating expenses	(634)	(76)
<b>Total</b>	<b>(2,110)</b>	<b>(1,512)</b>

#### 16.2 Other operating income: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total	Total
	06/30/2022	06/30/2021
Recovery of expenses:	69,063	67,470
- recovery of ancillary expenses - other	679	23
- recovery of taxes	68,384	67,447
Rental income from properties	374	365
Other income from current year	1,173	1,301
<b>Total</b>	<b>70,610</b>	<b>69,136</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" and may include income for ISTAT revaluations.

## Part C - Consolidated Income Statement

### Section 17 – Profit (loss) of associates – Item 250

#### 17.1 Profit (Loss) of associates: breakdown

(Amounts in € thousand)

Income/Value	Total 06/30/2022	Total 06/30/2021
<b>1) Joint ventures</b>		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Writebacks	-	-
4. Other gains	-	-
B. Expenses	-	-
1. Write-down	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
<b>Net profit</b>	-	-
<b>2) Companies subject to significant influence</b>		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Writebacks	-	-
4. Other gains	-	-
B. Expenses	(148)	-
1. Write-down	(148)	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
<b>Net profit</b>	(148)	-
<b>Total</b>	(148)	-

### 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 (losses) on disposal of investments

(Amounts in € thousand)

Items income/Sectors	Total 06/30/2022	Total 06/30/2021
A. Properties	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	1	-
- Gains on disposal	3	-
- Losses on disposal	(2)	-
<b>Net profit (loss)</b>	<b>1</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

(Amounts in € thousand)

Items income/Sectors	Total 06/30/2022	Total 06/30/2021
1. Current tax (-)	(91,391)	(79,951)
2. Adjustment to current tax of prior years (+/-)	-	-
3. Reduction in current tax for the year (+)	-	-
3.bis Reduction of current tax for the year due to tax receivables pursuant to Law 214/2011 (+)	-	-
4. Changes in deferred tax assets (+/-)	606	9,993
5. Changes in deferred tax liabilities (+/-)	(377)	23,746
6. Tax expense for the year (-) (-1+/-2+3+ 3 bis +/-4+/-5)	(91,162)	(46,212)

### 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.



## 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 first half 2022.

	06/30/2022	06/30/2021
Net profit for the year (€ thousands)	222,363	216,670
Average number of outstanding shares	609,880,168	608,606,968
Average number of outstanding shares (including potential ordinary shares with dilution effect)	611,302,230	610,933,163
Basic earnings per share	0.36	0.36
Diluted Earnings Per Share	0.36	0.36

#### 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 management of risks, the risk management process is structured consistently with the supervisory provisions for Banks pertaining to the internal control framework.

Risk oversight and control is performed by the Group's Chief Risk Officer Department (CRO), which, as the risk management function, is independent from risk taking units, and 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 of the Group 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 (CRO, 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 organizational 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 the 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. In addition, the Board of Statutory Auditors has been assigned the tasks and responsibilities of the internal control committee and accounting review, pursuant to art. 19 of Legislative Decree No. 39/2010 (as amended by Legislative Decree 135/2016).

The Risks and Related Parties Committee is made up of five non-executive and independent Directors, and has the task of supporting, with an 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 and the other identified Staff. The Remuneration Committee is also involved in examining stock or monetary incentive plans for employees and the personal financial advisors of the Group and in 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

For more information about the roles of the aforementioned Committees please refer to the corporate governance report.

The Compliance function is in charge of 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 internal validation function, placed within the Chief Risk Officer Department, is in charge of validating the internal models developed by the competent Group's functions, and it is fully independent from them.

The CRO Department, as the risk management function, oversees the proper performance of the Group's risk framework by defining the appropriate methodologies for identifying and measuring the overall current and future risks. Such activity is carried out according to regulatory provisions, following the management decisions envisaged in the Group's Risk Appetite (RAF) and the principles and policies defined by the CRO, through a monitoring activity and ensuring compliance with the established limits.

The CRO, with the support of the Chief Financial Officer (CFO), each one for their area of responsibilities, is 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, in the context of second-level controls, is responsible for the management and control of credit, market, operational / reputational risks including ICT risk, interest rate risk, liquidity and sustainability risk in collaboration with the CFO, the CLO and the CIO for their respective areas of competence. As far as communication to Corporate Bodies is concerned (Chief Executive Officer and General Manager, Board of Directors, Risks Committee and Related Parties), the CRO provides a quarterly disclosure on the activity carried out, as well as on the results emerging from the controls performed. The disclosure also incorporate suggestions on the necessary action to address any identified weaknesses, in order to ensure informed management decisions and risk mitigation.

In particular, the Parent Company CRO Department:

- 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 Group'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 risks arising from environmental, social and governance factors (ESG), as well as reputational risks, coordinating with the compliance function, the sustainability 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 shortfall in the risk measurement and control framework;
- evaluates 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 in the products committee;
- carries out second-level controls aimed at verifying the correct performance of the credit process at both individual and portfolio level;
- 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.

Lastly, the participation by the Chief Risk Officer and the Head of the Compliance 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.

## Part E - Information on Risks and relating hedging policies

### 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. Risk-taking strategies are summarized in the Group's Risk Appetite Framework (RAF) are subsequently approved by the Board of Directors. The RAF is defined to ensure that the risk-taking activities remain in line with shareholders' 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;
- specifying the types of risk that the Group is willing to assume, as required by legislation, the so-called Risk Appetites, Risk Tolerances and Risk Capacities 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;
- include social and environmental sustainability principles (ESG) in the Group's strategy, business choices and operational management
- 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.

The Risk Appetite represent the amount of risk (overall and by type) that the Group is willing to take in pursuit of its strategic objectives. The Risk Tolerance set the maximum deviation from the Risk Appetite; Tolerance thresholds are set in order to ensure sufficient margins for the Group to operate, even under stress conditions, within the allowed maximum risk taking.

The Risk Capacity 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. The risk identification process also include the Legal Entity Fineco Asset Management, whose evaluations are included in the Group consolidated Risk Map;
- definition and approval of the Risk Appetite by the Group Board of Directors;
- quarterly monitoring and reporting of Risk Appetite indicators.

## Part E - Information on Risks and relating hedging policies

In line with the principle of gradual integration of the principles of environmental and social sustainability (ESG) set out in the Risk Appetite Statement, and in accordance with the most recent indications issued by the regulators on the subject, the Risk Appetite Dashboard integrates some risk / performance indicators. Such indicators are aimed at monitoring, respectively, the objective of the ESG investments in the Banking Book and the concentration of real estate guarantees in areas with high seismic / hydrogeological risk (to specifically protect against climate and environmental risk) as well as a set of metrics concerning conduct risk and transparency.

### 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, and the economic perspective. Such perspectives complement each other and they are embedded in business activities and relevant decisions.

With the regulatory perspective, the Group manage capital adequacy, fully ensuring at all times compliance with regulatory requirements and capital related regulatory measures, as well as other internal and external capital constraint. The goal is to guarantee, also in a forward-looking view, own funds are always sufficient to cover the Overall Capital Requirements and Pillar 2 Guidance. With the internal economic perspective, the Group manage capital economic adequacy, ensuring economic risks be sufficiently covered by internal capital resources. The economic perspective takes into account a wider risk perimeter than the regulatory perspective (as a way of example it is worth mentioning interest rate risk).

For Pillar 2 economic perspective, the reference metric is the Risk Taking Capacity, which stands for the ratio between the Available Financial Resources (AFR) and the overall Internal Capital; such metric is quarterly monitored and reported to the Corporate Bodies within the reporting on the Group's Risk exposure.

### Impacts of the crisis unfolded by COVID-19 pandemic on the ICAAP process

Starting from the ICAAP & ILAAP 2020, related to the figures as of 31 December 2020, the Group has integrated in the ICAAP stress tests the effects of the COVID-19 pandemic on the Group's exposures, profitability and capital adequacy. This representation considers among the macroeconomic assumptions the persistence of the COVID 19 health emergency, depressive shocks on industrial production and demand for goods and services in many sectors as well as the erosion of medium / long-term growth forecasts. Both the solidity and profitability of the Group were little affected by stress test exercises.

No negative impact arising from COVID-19 pandemic has been detected so far, thanks to the diversified business model, the conservative origination policies, which has always characterized the Bank, and the nature of the offered credit products, assisted whenever possible by funded credit protection.

### 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 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 organization, with the involvement of both business and control structures (so-called "tone from the top");

## Part E - Information on Risks and relating hedging policies

- 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 deeper risk investigation with the Risks and Related Parties Committee;
- a specific training is provided to employees, aimed at developing and standardize risk knowledge and understanding (e.g. related to operational and reputational risks).

### Section 1 – Consolidated financial statements risks

This section provides information referring to FinecoBank and Fineco AM, companies included in the consolidated financial statements risks.

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 indications 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

As provided for in the 7th update of 29 October 2021 of Circular No. 262 "The banks' Financial Statements: layouts and preparations", on-demand loans to banks and central banks, which are recognised in the balance sheet item "Cash and cash balances", are included in the definition of cash credit exposures but are conventionally excluded from the quantitative credit quality disclosure tables in this Section 1 "Consolidated financial statements risks".

#### 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	2,067	1,412	812	29,665	31,934,553	31,968,509
2. Financial assets at fair value through other comprehensive income	-	-	-	-	29,492	29,492
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	79	79
5. Financial instruments classified as held for sale	-	-	-	-	-	-
<b>Total 06/30/2022</b>	<b>2,067</b>	<b>1,412</b>	<b>812</b>	<b>29,665</b>	<b>31,964,124</b>	<b>31,998,080</b>
<b>Total 12/31/2021</b>	<b>2,141</b>	<b>1,179</b>	<b>1,061</b>	<b>22,303</b>	<b>30,908,361</b>	<b>30,935,045</b>

There are no impaired purchased loans.

## Part E - Information on Risks and relating hedging policies

### 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	24,602	(20,311)	4,291	-	31,982,867	(18,649)	31,964,218	31,968,509
2. Financial assets at fair value through other comprehensive income	-	-	-	-	29,492	-	29,492	29,492
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	79	79
5. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-
<b>Total 06/30/2022</b>	<b>24,602</b>	<b>(20,311)</b>	<b>4,291</b>	<b>-</b>	<b>32,012,359</b>	<b>(18,649)</b>	<b>31,993,789</b>	<b>31,998,080</b>
<b>Total 12/31/2021</b>	<b>24,541</b>	<b>(20,160)</b>	<b>4,381</b>	<b>-</b>	<b>30,948,948</b>	<b>(18,358)</b>	<b>30,930,664</b>	<b>30,935,045</b>

(Amounts in € thousand)

Portfolio/quality	Assets with of clearly poor credit quality		Other assets	
	Accumulated unrealised losses	Net exposure	Net exposure	
1. Financial assets held for trading	-	1	11,104	
2. Hedging derivatives	-	-	1,140,627	
<b>Total 06/30/2022</b>	<b>-</b>	<b>1</b>	<b>1,151,731</b>	
<b>Total 12/31/2021</b>	<b>-</b>	<b>7</b>	<b>132,884</b>	

## Part E - Information on Risks and relating hedging policies

### B. Disclosure on structured entities (other than securitization 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

##### 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. Vehicle company	-	-	-	-	-	-	-
	MFV	675		-	675	675	-
2. U.C.I.T.S.	AC	43,900	AC	780	43,120	43,900	780
	HFT	-		-	-	-	-
<b>Total</b>		<b>44,575</b>		<b>780</b>	<b>43,795</b>	<b>44,575</b>	<b>780</b>

#### Key

MFV = Financial assets mandatorily at fair value

AC = Financial assets at amortised cost

HFT = Assets Held for trading



## Part E - Information on Risks and relating hedging policies

### 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 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 of 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 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 to provide 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 2022 the Group has also increased its exposure to Italian government bonds (for more details, see the Information on securities issued by sovereign States).

###### **Impacts arising from COVID-19 pandemic**

As at June 30, 2022 there are no sign of deterioration in the Group's loans receivable with ordinary customers portfolio. This one indeed is composed by retail loans granted with conservative and careful origination policies, and mostly assisted by real estate or financial collateral. In the case of mortgage loans, the average Loan to Value is indeed equal to around 50% whereas relevant overdraft facilities requires the funding of financial collateral, using conservative margins.

In response to COVID-19 pandemic and the adoption of supporting measures by EU member states, the main international and European regulators and standard setter (IASB, EBA, ECB, European Commission, etc.) provided guidance on the prudential treatment of credit exposure. According to such guidance, the application of supporting measures in the form of legislative and non-legislative moratoria, complying with a set of requirements established by EBA, did not automatically triggered the forbearance prudential classification until March 2021, as they had preventive nature and generic scope (they were not specifically designed for each client). The supporting measures granted after March 2021 have been evaluated and classified accordingly to the current prudential framework.

As at June 30, 2022, FinecoBank has adopted a prudential approach and has considered the evidences related to financial situation of clients applied for supporting measures, increased the provision related to these exposures.

For the asset quality quantitative disclosure on moratorias accorded by FinecoBank to its clients, reference is made to the reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis, required by EBA/GL/2020/07. Such disclosure is sent to Regulators on a regular basis, and it has been integrated in Pillar III disclosure as at June 30, 2022.

## Part E - Information on Risks and relating hedging policies

In consideration of the limited impacts described above, the Group did not deem it necessary to change either its credit strategies or its credit risk management, measurement and control policy.

### **Impacts arising from Russian-Ukraine war**

As of June 30, 2022, there were no significant impacts of the crisis resulting from the Russia-Ukraine conflict in terms of deterioration of the Group's portfolio of loans to ordinary customers. In the coming quarters, there may be impacts on unsecured loans due to inflation increase.

## **2. Credit Risk Management Policy**

### **2.1 Organisational aspects**

In order to ensure an adequate credit risk supervision, the FinecoBank Group has adopted an effective internal governance framework, organized on distinct and articulated levels of responsibility.

At the first level, the credit process relating to trade receivables and the process of granting and allocating credit limits (plafond) for institutional counterparties is a responsibility of the Chief Lending Officer (CLO). In this context, the CLO Department carries out both the creditworthiness assessment of clients and counterparties with which the Group carries out credit business and the performance monitoring of individual credit exposures, in order to promptly detect any irregularities and carry out the necessary prudential classifications.

In addition the performance monitoring, the CLO Department also calculates customer default rates by type of product, aimed at intercepting increases in the riskiness of the products offered by the Group to its customers, and at estimating the risk parameters (PD and LGD) used to calculate expected credit losses under IFRS 9.

At the second line of defence, the direction and control of credit and counterparty risk are a responsibility of the Chief Risk Officer. Within the CRO Department, the Credit Risk & Internal Capital Team is responsible for:

- monitoring trade receivables through second-level controls focusing more generally on the overall quality of the Bank's loan portfolio, promptly detecting any irregularities;
- supporting the CLO Department in the development and maintenance of the scoring models used by the Bank for the creditworthiness assessment of its retail customers;
- verifying, through second-level controls, the correct execution of the performance monitoring on individual exposures, assessing the consistency of prudential classifications and the adequacy of provisions;
- monitoring, through second-level controls, the degree of concentration towards individual issuers of securities funded as collateral, and real estate guarantees in areas with high climatic and environmental risk;
- analyzing the risk level of individual products, periodically verifying the consistency of the retail customers default rates calculated by the CLO Department;
- defining a reporting model for the Group by specifying the rules for identifying stocks and flows;
- defining the credit parameters (PD and LGD) useful for defining product pricing, as part of the launch of a new credit product;
- develop and maintain expected credit losses methodologies in accordance with the IFRS9 accounting standard, and carry out data quality checks on provisions;
- developing and maintain Credit Risk Internal Capital models and apply the related stress scenarios;
- monitoring credit risk and country risk deriving from the Group's strategic investments, taking into adequate consideration the counterparties' exposure to environmental, social and governance (ESG) risks, and their ability to deal with them;
- verifying compliance with operating limits relating to margin trading and developing 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.

#### **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.

## Part E - Information on Risks and relating hedging policies

In addition to the risk associated with credit granting and originating, 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) 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.

As already mentioned, credit risk measurement for trade receivables at origination is carried out by the CLO Department, and it 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 CRO Department, as the risk management function, carries out second-level controls on all the phases that characterize the credit process relating to trade receivables. The controls, which are mainly based on the development of event-based indicators, focuses on verifying compliance with internal regulations and the delegated powers conferred by the Board of Directors to decision-making structures and on the identification of irregularities at portfolio or at more granular level, also in relation to funded collateral. In addition to the controls described above, a quality and performance assessment of the loan portfolio is also periodically carried out.

The creditworthiness assessment of the counterparties with which the Group carries out credit business is carried out by the CLO Department as part of the credit limits granting and allocation process (plafond) to the Counterparty's Economic Group, i.e. considering the Group's exposure to all the subjects legally or economically connected to the counterparty. The Plafonds are "risk ceilings" and stand for the highest limits in terms of credit risk that the Group is willing to accept vis-à-vis a specific counterparty.

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 activity is regulated by the Global Policy "Credit business with financial institutions, banks, sovereign and corporate counterparties", which defines the principles and rules for an efficient and complete assessment, control and limitation of credit and counterparty risk linked to the credit business carried out with the aforementioned counterparties. Issuers of bonds kept in the banking book as investments are also in scope. As established in the Global Policy, the CLO Department, in addition to the counterparty's creditworthiness assessment and the risk limits approval required by the various Group functions in accordance with the delegated powers in force from time to time, carries out an operational monitoring. The latter is aimed at ensuring that all Group functions comply at all times with the assigned limits, Large Exposures and Related Parties limits, and that the Group's counterparties maintain a sufficiently high credit rating.

## Part E - Information on Risks and relating hedging policies

The CRO Department, on the other hand, carries out systematic monitoring at a centralized and single counterparty level with significant exposure, focusing on the analysis of a series of Early Warning indicators. The Department also carries out second-level controls on the compliance with the Large Exposures limit and on exposures to Related Parties.

Basically, the second level monitoring process carried out by the CRO Department aims to analyze credit quality and risk exposure dynamics by calculating summary risk indicators and representing their evolution over time. Outcomes may be used for preparing action plans aimed at mitigating or avoiding credit risk factors. In particular, the CRO Department prepares the quarterly report on the Group's risk exposures, addressed to the Board of Directors; in this context are highlighted the trend of the loan portfolio and the outcomes of the second level controls carried out in the reference period. With particular reference to the retail portfolio, the report shows the analysis of flows between classifications, the stock of impaired loans and the positions that benefit from payment holidays and the related expected losses. The report also highlights the results of the second level controls carried out in the reference period on the concentration of financial collateral acquired by the Group as credit protection for overdraft facilities. With reference to exposures to financial counterparties, banks and sovereign, the report highlights the results of issuer risk, counterparty risk and country risk monitoring.

Within country risk oversight are monitored several indicators (Worldwide Governance Indicator), developed by a team of researchers in collaboration with the World Bank with the aim of summarizing the effectiveness of the policies implemented by the governmental authorities of different nations, and a specific environmental risk indicator, called ND-Gain, developed by a team of researchers from the US University of Notre Dame. Such indicator considers two fundamental variables: the level of vulnerability of a country to climate change ("vulnerability") and the positioning of the respective nation in terms of economic, social and governance capacity to cope with it ("readiness"). In the end, the two indicators are compared in order to determine that country's exposure to climate and environmental risks.

Starting from January 1st 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.

### **Impacts arising from COVID-19 pandemic**

Following the EBA's failure to renew its guidelines on payment moratoria, all payment holidays activated between 1 April 2021 and 31 December 2021 were classified on a case-by-case basis, according to the prudential framework currently in force. In any case, all active moratoriums are subject to a careful assessment in order to promptly identify any signs of credit deterioration. Such assessment, which is carried out also through early warning indicators and the support of external databases (Central Credit Register, CRIF,...), has not highlighted any critical elements at portfolio level so far.

### **Impacts arising from Russian-Ukraine conflict**

As of June 30, 2022, there were no significant impacts of the crisis resulting from the Russia-Ukraine conflict in terms of increase of NPE exposures or the overall credit risk of the counterparties with which the Group carries out its credit business. Consequently, there were no impacts in terms of credit risk adjustments as well.

### **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 and exposures that have not 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.

## Part E - Information on Risks and relating hedging policies

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 ("FLI") has also been included with the elaboration of specific scenarios. As part of the process of revising its models, FincoBank's CRO Department is in the process of adopting a new type of modelling applied to the mortgage and personal loan portfolio. This modelling revises the determination of Forward Looking Information in line with the past performance of the Bank's loan portfolio and considers ESG risk factors in the provisioning process (e.g. by assessing the location of properties and their energy class).

The expected loss is calculated for institutional counterparties, leveraging on risk parameters provided by the external supplier Moody's Analytics.

In order to calculate expected losses for retail counterparties, not having internal rating systems available, PD and LGD parameters are estimated with a different methodology according to the credit product concerned.

For unsecured loans, the Probability of Default is estimated through a model internally developed by the CRO Department based on the performance of the unsecured loans portfolio of the last 7 years (in consistency with the maximum maturity of the product). The model calculates a PD curve to which each exposure is interpolated according to their maturity. The LGD is calculated considering the average bad loans recovery, determined on an analytical basis by the credit collection team and according to the information available to the Bank.

For mortgage loans, without a sufficient default and recovery history data available to the Bank (Finco originates mortgage loans from 2016), the Group employs a PD curve estimated in a conservative basis compared to the default data recorded. LGD is estimated through a model which considers the average coverage of NPE exposures, determined analytically by the credit collection team according to the information available to the Bank, the legal recovery costs, the residual debt and its ratio against the value of real estate collateral (Exposure to Value – ETV).

For the other exposures, the PD is replaced by the average decay rate to non-performing recorded through a transition matrix. The LGD is calculated considering the average bad loans recovery, determined on an analytical basis by the credit collection team and according to the information available to the Bank. In order to comply with IFRS 9 requirements, parameters resulting from proxy and models 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 newly originated exposures and those which have not suffered a significant increase in credit risk compared to the initial recognition.

The Stage Allocation assessment model always apply at transaction level, and it is based on a combination of relative and absolute elements: The main elements are:

- the comparison between the counterparty's rating at the reference date and that recorded at the date of origination / first recognition. The methodology provides that the position goes to stage 2 when a certain threshold is exceeded, set in terms of notches from the rating detected at the date of first recognition;
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);
- other internal findings (forborne classification).

With reference to the institutional counterparties issuers of securities purchased by the Group as investments, or with which the Group carries out credit business, the approach employed is based on the external rating assigned by the Moody's agency. As anticipated, the methodology provides for the comparison between the counterparty's rating at the reference date and that recorded at the date of origination / first recognition. The position goes to stage 2 when a certain threshold is exceeded, set in terms of notches from the rating detected at the date of first recognition.

With reference to retail counterparties, in the absence of internal ratings, the Group makes use of the backstops envisaged by the regulations and further internal evidence. In this context, all exposures having more than 30 days past due (without any materiality threshold), or for which further information that suggesting a deterioration in the creditworthiness of the counterparty are available, are classified in stage 2. For retail exposures classified as stage 2, unlike exposures classified as stage 3, there is no cure period for returning to the previous risk class. Consequently, when the conditions for classification at stage 2 cease to exist (for example the 30 days overdue), provided that there is no further evidence suggesting a deterioration in the creditworthiness of the counterparty, exposures are automatically reclassified into stage 1.

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.

## Part E - Information on Risks and relating hedging policies

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.

### 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 long period ones, also used for the internal capital calculation, adjusted in order to ensure compliance with the IFRS 9 accounting principle.

The main adjustments are made in order to:

- introduce point-in-time adjustments required by the accounting principle;
- include forward-looking information;
- extend the credit risk parameters to a multi-year perspective.

In order to get lifetime PD, the through-the-cycle PD curves, obtained from cumulative default rates, were adapted 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.

With reference to Stage 3, it should be noted that it includes impaired exposures to debtors that fall, in accordance with Bank of Italy rules, defined in Circular no. 272 of 30 July 2008 and subsequent updates, into the "Non-performing" category pursuant to Regulation 630/2019 amending Regulation (EU) no. 575/2013 and Commission Implementing Regulation (EU) no. 451/2021, as amended and supplemented (Implementing Technical Standards). Financial instruments included in the portfolio "Financial assets held for trading" and derivative contracts are excluded.

For the purposes of identifying and classifying impaired credit exposures, account must also be taken of the provisions of the EBA Guidelines on the application of the definition of default pursuant to Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council (EBA/GL/2016/07) and EU Regulation 2018/171. Impaired credit exposures must, during the 3-month "cure period" provided for in paragraph 71(a) of EBA/GL/2016/07, continue to be recognised in the relevant categories in which they were located.

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 of the notes to the consolidated accounts as at December 31, 2021.

### 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.

## Part E - Information on Risks and relating hedging policies

### **Changes applied for COVID-19 pandemic**

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 order to adjust the IFRS-9 risk parameters with the forward-looking information updated to the crisis caused by the COVID-19 pandemic, the FinecoBank Group uses a series of macroeconomic scenarios developed by the external supplier Moody's Analytics. For further details, please refer to the appropriate paragraph "Measurement of expected credit losses".

### **Assessment of the Significant Increase in Credit Risk (SICR)**

Consistently with the clarification provided by regulators, until March 31, 2021, payment moratoria compliant with EBA requirements have been kept as stage 1 of the staging allocation process, except in case other factors had determined a significant increase in credit risk. As a way of example, it is worth mentioning the detection of a past due longer than 30 days on credit facilities other than those suspended, or the finding of negative credit worthiness information arising from external data sources.

Following the EBA's failure to renew its guidelines on legislative and non-legislative moratoriums, all the moratoriums granted starting from April 1<sup>st</sup> 2021 have been assessed and classified on a case-by-case scenario, according to the usual prudential and accounting framework. To that end, it has been considered crucial the assessment over the debtor's economic difficulty, which has been determined in relation to its income/asset situation.

### **Measurement of Expected Credit Losses**

As of June 30, 2022, for the calculation of Expected Credit losses on performing exposures, the Group has used risk parameters (PD and LGD) adjusted with macroeconomic scenarios provided by the new external supplier Moody's Analytics. Such scenarios incorporate forward looking information considering the different possible outcomes of the pandemic crisis and the military conflict in Ukraine.

As anticipated in the Expected Credit Losses calculation methodology section, the forward looking component is made of three macroeconomic scenarios; a baseline scenario, a positive scenario and an adverse scenario. The baseline scenario is weighted 40% as it is the one more likely to come true, whereas the positive and adverse scenario are weighted 30% each, and they stand for alternative outcomes, respectively better and worse.

The baseline scenario used for the calculation of the ECL as of 30 June 2022 assumes that future pandemic waves impact less and less on the economy, that the military conflict in Ukraine persists without spreading to other countries and that Russia does not significantly limit oil and natural gas supplies to the EU. Under these conditions, the growth forecast (GDP) for the eurozone is estimated to the 3.38%.

In Italy, the country where the Group holds almost all retail exposures, the growth forecasts of the Gross Domestic Product for 2022 are estimated at 3.60%, to then decrease in the following 3 years until reaching the 1.33%. The release of the COVID-19 stimulus measures is expected to help reducing the debt-to-GDP ratio to 145.41% and support debt refinancing. The unemployment rate is also estimated to decrease to 9.15% for 2022, to then continue the trend in subsequent years.

Other macroeconomic parameters, such as the 10 years government yields, are also considered in macroeconomic scenarios, depending on the credit facility and the type of counterparty involved.

The favorable scenario used for the calculation of the ECL at 30 June 2022 assumes a more rapid recovery in consumption thanks to the substantial end of the crisis caused by the COVID-19 pandemic, and an easing of the geopolitical tensions caused by the military conflict in Ukraine. In Italy, the recovery of economic activity, faster than expected, translates into a forecast of growth of the Gross Domestic Product of 4.61% in 2022, to then decrease to 3.06% in 2023. The Debt / GDP ratio forecast for the end of 2022 is expected to rise to 143.78%. Finally, the unemployment rate is estimated to decrease to 9.01%, and then gradually continue the trend up to pre-crisis values.

The adverse scenario used to calculate the ECL at 30 June 2022, on the other hand, assumes an aggravation of the crisis caused by the spread of new COVID-19 variants vaccines resistant, with cuts in consumption by the population. The scenario also assumes an aggravation of the military conflict in Ukraine with an increase in geopolitical tensions and consequent limitations on the supplies of oil and natural gas from Russia. The forecasts in this scenario translate into very low growth levels in 2022, equal to 1.07%, and then enter recession in 2023 (-2.11%). The combination of a reduced gross domestic product and higher public spending results in an increase in the debt / GDP ratio to 148.28%. Finally, the Italian unemployment rate is estimated to slightly increase in 2022 to 9.93%, and then continue to grow up to 11.84% in 2023.

As of June 30, 2022, assuming to apply only the positive scenario on the overall Bank's exposures we would record recoveries for around € 0.4 million, whereas assuming to apply only the adverse scenario, the estimated provisions would be equal to € 8.2 million. Considering all the scenarios mentioned above the Group's estimated provisions are equal to € 1.97 million.

## Part E - Information on Risks and relating hedging policies

Below the details of the main macroeconomic assumptions employed in FLI scenarios:

Scenarios	Variables	2022	2023	2024	2025	2026
Baseline (40%)	Eurozone-PIL ( $\Delta\%$ )	3.38%	2.59%	2.24%	1.81%	1.41%
	ITA-GDP ( $\Delta\%$ )	3.60%	2.11%	1.54%	1.33%	1.38%
	ITA- Debt/GDP ratio	145.41%	142.37%	140.04%	137.95%	135.65%
	ITA-Unemployment rate	9.15%	9.00%	8.88%	8.78%	8.72%
	ITA-Inflation	5.70%	1.11%	1.36%	1.70%	1.77%
Favorable (30%)	Eurozone-PIL ( $\Delta\%$ )	4.56%	3.70%	1.94%	1.75%	1.41%
	ITA-GDP ( $\Delta\%$ )	4.61%	3.06%	1.29%	1.27%	1.38%
	ITA- Debt/GDP ratio	143.78%	139.10%	136.70%	134.37%	131.91%
	ITA- Unemployment rate	9.01%	8.68%	8.56%	8.53%	8.53%
	ITA-Inflation	5.76%	1.01%	1.34%	1.70%	1.76%
Unfavorable (30%)	Eurozone-PIL ( $\Delta\%$ )	0.91%	-1.55%	3.60%	2.61%	1.46%
	ITA-GDP ( $\Delta\%$ )	1.07%	-2.11%	2.93%	2.14%	1.43%
	ITA- Debt/GDP ratio	148.28%	153.38%	151.80%	149.57%	147.30%
	ITA- Unemployment rate	9.93%	11.84%	11.34%	10.50%	9.99%
	ITA-Inflation	7.57%	0.15%	0.11%	1.30%	1.59%

As far as provisions on FinecoBank's retail customers are involved, no relevant impacts have been detected so far, in terms of both origination flows and credit quality.

### 2.4 Credit risk mitigation techniques

In order to mitigate the risk in the different forms of credit granting, the Group acquires several types of collateral. For mortgage loans, the Group mainly acquires residential properties as collateral through mortgages, while various types of securities are accepted as pledges on overdraft facilities, including shares, bonds, investment funds, insurance and government securities.

Even when there is a collateral, the Group carries out an overall credit risk assessment, mainly focusing on the customer's earning capacity regardless of the ancillary guarantee provided. The valuation of the pledged guarantees is based on the real value, understood as the market value for securities listed on a regulated market. Percentage haircuts (margins) are applied to the value thus determined, differentiated according to the securities used as collateral and the concentration of the instrument in the customer's portfolio provided as collateral.

For real estate guarantees, the principles and rules are described in the "Normativa erogazione crediti commerciali" policy. In particular, the Group grants its customers loans for a maximum amount equal to 80% of the value of the mortgaged assets. The ratio between the amount of the loan granted and the value of the real estate property, certified as described above, is called Loan To Value (LTV), and is calculated on the entire property covered by the guarantee. Depending on the purpose of the loan (purchase, subrogation, refinancing and liquidity), more stringent LTV limits may be required. At June 30, 2022, the average LTV of the mortgage portfolio was approximately 50%.

The real estate evaluation is carried out by external technicians included in the Register of Engineers, Architects, Surveyors or industrial experts and is therefore not subject to conflicts of interest. The value of the real estate properties is monitored on an annual basis through market revaluation indices, estimated by an external supplier specialized in real estate market valuations. This activity is aimed at identifying any properties that need revaluation and may also be carried out more frequently if market conditions are subject to significant changes.

For financial collateral, on the other hand, the principles and rules are described in the "Collateral Management" policy. The evaluation of securities takes place by taking into consideration several parameters, including the issue rating, the liquidity class, the capitalization and the inclusion in a recognized index. Such parameters, depending on the type of instrument being valued, may affect not only the eligibility of the instrument itself, but also the margin considered in order to determine the amount of the loan.

The monitoring of the financial collateral value is carried out on a daily basis by automatic procedures that perform the Mark to Market of each individual security booked in the collateral deposits, and compare the resulting value with the amount entrusted during the origination phase. In the event of losses exceeding the threshold value, the resolution methods are assessed on a case-by-case basis in agreement with the customer.



## Part E - Information on Risks and relating hedging policies

### 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.

#### 3.2 Write-off

The Group records a write-off of a financial asset whenever there are no reasonable expectations of recovering capital and interests.

The evaluations on possible write-offs are implemented based on different criteria, listed below (by way of example and not exhaustive), such as:

- Untraceable of borrower and/or guarantor, if present;
- Lack of enforceable assets (i.e. lack of salary, real estate);
- Unprofitable and expensive judicial actions in relation to the receivable;
- Decease of the debtor and possible no living heirs and / or renunciation of the inheritance.

In any case, the Group policy is to not carry out partial write-offs with the continuation of recovery activities.

#### 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 as of December 31, 2021.

As of June 30, 2022, no relevant increase in forbearance measures have been detected. As already highlighted in the section "Impact arising from COVID-19 pandemic", reported in the general aspects of credit risks, most of the supporting measures granted during the pandemic crisis comply with the EBA guidelines on legislative and non-legislative moratoria, therefore did no triggered the forborne classification.

## Part E - Information on Risks and relating hedging policies

### Quantitative information

#### A. Credit quality

As provided for in the 7th update of 29 October 2021 of Circular No. 262 "The banks' financial statements: layouts and preparations", on-demand loans to banks and central banks, recognised in the balance sheet item "Cash and cash balances", are included in the definition of cash credit exposures but are conventionally excluded from the tables on quantitative credit quality disclosures in Section 2 "Risks of the prudential consolidation", with the exception of tables A.1 .2, A.1.4, A.1.6, A.1.6bis and A.1.8 and B.3.

#### A.1 Impaired and unimpaired credit exposures: amounts, impairment, changes, distribution by business activity

##### A.1.1 Prudential consolidation: distribution of financial assets by maturity bands (balance sheet values)

(Amounts in € thousand)

Portfolios / stages of risk	Stage 1			Stage 2			Stage 3			Purchased or originated credit-impaired			
	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	
1. Financial assets at amortised cost	26,700	877	11	61	1,108	909	12	70	3,827	-	-	-	
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	
3. Financial instruments classified held for sale	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>06/30/2022</b>	<b>26,700</b>	<b>877</b>	<b>11</b>	<b>61</b>	<b>1,108</b>	<b>909</b>	<b>12</b>	<b>70</b>	<b>3,827</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>12/31/2021</b>	<b>17,956</b>	<b>2,536</b>	<b>77</b>	<b>24</b>	<b>1,508</b>	<b>190</b>	<b>16</b>	<b>5</b>	<b>4,040</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Part E - Information on Risks and relating hedging policies

### A.1.4 Prudential Consolidated - Cash and off-balance sheet credit exposures to banks: gross and net values

(Amounts in € thousand)

Type of exposure/amounts	Gross exposures				Total value adjustments and total credit risk provisions				Net Exposure	Total Write-off*	
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired			
<b>A. ON-BALANCE SHEET CREDITS EXPOSURES</b>											
<b>A.1 ON DEMAND</b>	<b>1,542,407</b>	<b>1,542,407</b>	-	-	-	<b>(42)</b>	<b>(42)</b>	-	-	<b>1,542,365</b>	-
a) Non performing	-	-	-	-	-	-	-	-	-	-	-
b) Performing	1,542,407	1,542,407	-	-	-	(42)	(42)	-	-	1,542,365	-
<b>A.2 OTHERS</b>	<b>4,517,305</b>	<b>4,517,303</b>	-	-	-	<b>(119)</b>	<b>(119)</b>	-	-	<b>4,517,184</b>	-
a) Bad exposures	-	-	-	-	-	-	-	-	-	-	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-
b) Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-
c) Non performing past due	-	-	-	-	-	-	-	-	-	-	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-
d) Performing past due exposures	-	-	-	-	-	-	-	-	-	-	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-
e) Other performing exposures	4,517,305	4,517,303	-	-	-	(119)	(119)	-	-	4,517,184	-
- of which: forbome exposures	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL (A)</b>	<b>6,059,712</b>	<b>6,059,710</b>	-	-	-	<b>(161)</b>	<b>(161)</b>	-	-	<b>6,059,549</b>	-
<b>B. OFF-BALANCE SHEET CREDITS EXPOSURES</b>											
a) Non performing	-	-	-	-	-	-	-	-	-	-	-
b) Performing	1,684,467	17,170	-	-	-	-	-	-	-	17,170	-
<b>TOTAL (B)</b>	<b>1,684,467</b>	<b>17,170</b>	-	-	-	-	-	-	-	<b>17,170</b>	-
<b>TOTAL (A+B)</b>	<b>7,744,179</b>	<b>6,076,880</b>	-	-	-	<b>(161)</b>	<b>(161)</b>	-	-	<b>6,076,719</b>	-

It should be noted that financial assets held for trading, derivative contracts and off-balance sheet transactions other than those subject to the impairment rules under IFRS 9 have been classified, by convention, as non-impaired exposures, but have not been included in the columns providing a breakdown by risk stage.

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 € 526,416 thousand.

## Part E - Information on Risks and relating hedging policies

### A.1.5 Prudential consolidation - Cash and off-balance-sheet exposures to customers: gross and net values

(Amounts in € thousand)

Type of exposure/Amounts <sup>0</sup>	Gross exposures				Total value adjustments and total credit risk provisions				Net Exposure	Total Write-off <sup>1</sup>		
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired				
<b>A. ON-BALANCE SHEET CREDITS EXPOSURES</b>												
<b>a) Bad exposures</b>	18,668	X	-	18,668	-	(16,601)	X	-	(16,601)	-	2,067	-
- of which: forbome exposures	241	X	-	241	-	(209)	X	-	(209)	-	32	-
<b>b) Unlikely to pay</b>	4,110	X	-	4,110	-	(2,698)	X	-	(2,698)	-	1,412	-
- of which: forbome exposures	548	X	-	548	-	(307)	X	-	(307)	-	241	-
<b>c) Non performing past due</b>	1,824	X	-	1,824	-	(1,012)	X	-	(1,012)	-	812	-
- of which: forbome exposures	37	X	-	37	-	(25)	X	-	(25)	-	12	-
<b>d) Performing past due exposures</b>	30,018	27,705	2,313	X	-	(353)	(118)	(235)	X	-	29,665	-
- of which: forbome exposures	67	-	67	X	-	(1)	-	(1)	X	-	66	-
<b>e) Other performing exposures</b>	27,465,115	27,450,738	14,301	X	-	(18,181)	(14,375)	(3,806)	X	-	27,446,934	-
- of which: forbome exposures	1,989	-	1,989	X	-	(21)	-	(21)	X	-	1,968	-
<b>TOTAL (A)</b>	<b>27,519,735</b>	<b>27,478,443</b>	<b>16,614</b>	<b>24,602</b>	<b>-</b>	<b>(38,845)</b>	<b>(14,493)</b>	<b>(4,041)</b>	<b>(20,311)</b>	<b>-</b>	<b>27,480,890</b>	<b>-</b>
<b>B. OFF-BALANCE SHEET CREDITS EXPOSURES</b>												
<b>a) Non performing</b>	103	X	-	22	-	-	X	-	-	-	103	-
<b>b) Performing</b>	3,238,968	50,022	380	X	-	(99)	(99)	-	X	-	3,238,869	-
<b>TOTAL (B)</b>	<b>3,239,071</b>	<b>50,022</b>	<b>380</b>	<b>22</b>	<b>-</b>	<b>(99)</b>	<b>(99)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,238,972</b>	<b>-</b>
<b>TOTAL (A+B)</b>	<b>30,758,806</b>	<b>27,528,465</b>	<b>16,994</b>	<b>24,624</b>	<b>-</b>	<b>(38,944)</b>	<b>(14,592)</b>	<b>(4,041)</b>	<b>(20,311)</b>	<b>-</b>	<b>30,719,862</b>	<b>-</b>

It should be noted that financial assets held for trading, derivative contracts and off-balance sheet transactions other than those subject to the impairment rules under IFRS 9 have been classified, by convention, as non-impaired exposures, but have not been included in the columns providing a breakdown by risk stage.

In addition, in the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to securities lending transactions and to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to € 1,181,847 thousand.

## Part E - Information on Risks and relating hedging policies

### B.4 Large exposures

As at 30 June 2022, the "risk positions" constituting a "large exposure" pursuant to the Commission Implementing Regulation (EU) No 451/2021 of 17 December 2020 which establishes technical implementation rules with regard to the reporting of entities for supervisory purposes in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, and subsequent Regulations that modify the content, are the following:

- book value: € 28,307,410 thousand, excluding the reverse repo transactions and indirect exposures as defined below;
- non-weighted value: € 33,585,735 thousand, including repurchase agreements and indirect exposures;
- weighted value: € 2,546,017 thousand, including repurchase agreements and indirect exposures;
- number of "risk positions": 39.

It should be noted that, in accordance with the EBA Guidelines on connected customers pursuant to Article 4, paragraph 1, point 39) of Regulation (EU) no. 575/2013, the large exposures also include counterparties with links to central governments that, although they do not individually exceed the 10% threshold of the eligible capital for large exposures, exceed this limit when the exposure to the sovereign to which they are linked by a control relationship is also considered.

It should be also noted that Regulation (EU) 876/2019, which entered into force as of 28 June 2021, introduced the requirement to apply the "Substitution Approach", whereby an Institution, when reducing its exposure to a client using a credit risk mitigation technique eligible under Article 399, paragraph 1, treats, in the manner set out in Article 403, the portion of the exposure corresponding to the reduction as an exposure to the protection provider rather than to the client. This implies compliance with the limits set by Article 395 CRR on the sum of direct exposures to clients and exposures represented by collateral received ("indirect exposures"). In addition, the Regulation requires institutions to add to the total exposures toward a client the exposures arising from derivative contracts where the contract has not been directly concluded with that client but the underlying debt or equity instrument has been issued by that client ("indirect exposures").

Following the deconsolidation of FinecoBank from the UniCredit Group took place, FinecoBank and UniCredit S.p.A. have entered into a contract (Pledge Agreement) which provides for the granting by UniCredit S.p.A. of financial guarantees in favour of FinecoBank aimed at guaranteeing credit risk exposures represented by UniCredit bonds, until their natural expiry, and from the financial guarantees issued by FinecoBank in favour of the Agency of Enter at the request of UniCredit S.p.A., until they are completely extinguished. These guarantees meet the requirements of the applicable legislation to be eligible in the context of credit risk mitigation techniques (CRM), with the consequent reduction in the exposure to UniCredit Group for the purposes of determining the Fineco Group's large exposures.

Finally, please note that deferred tax assets within the exposure towards the Italian Central Government have been exempted and, therefore, their weighted value is null.

## Part E - Information on Risks and relating hedging policies

### Information on exposures in securities issued by sovereign States

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 caption "Financial assets designated at fair value through other comprehensive income" and in "Financial assets at amortised cost". The following table shows the face value, the book value and the fair value of these exposures as at June 30, 2022. The Group is exposed to securities issued by sovereign States which are classified under the caption "Other financial assets mandatorily at fair value" accounts for € 76 thousand.

In addition, the Group hold investments in debt securities issued by Supranational institutions and Agencies accounted for in "Financial assets at amortised cost".

(Amounts in € thousand)

	Nominal value as at	Carrying amount as at	Fair value as at	% Financial statements item
	06/30/2022	06/30/2022	06/30/2022	06/30/2022
<b>Italy</b>	<b>8,171,765</b>	<b>7,921,561</b>	<b>7,721,525</b>	<b>22.0%</b>
Financial assets at amortised cost	8,171,765	7,921,561	7,721,525	24.8%
<b>Spain</b>	<b>4,920,000</b>	<b>4,733,175</b>	<b>4,768,896</b>	<b>13.1%</b>
Financial assets at amortised cost	4,920,000	4,733,175	4,768,896	14.8%
<b>Germany</b>	<b>175,000</b>	<b>171,405</b>	<b>165,901</b>	<b>0.5%</b>
Financial assets at amortised cost	175,000	171,405	165,901	0.5%
<b>France</b>	<b>1,458,500</b>	<b>1,455,908</b>	<b>1,353,754</b>	<b>4.0%</b>
Financial assets at fair value through other comprehensive income	35,000	29,491	29,491	100.0%
Financial assets at amortised cost	1,423,500	1,426,417	1,324,263	4.5%
<b>U.S.A.</b>	<b>649,851</b>	<b>653,515</b>	<b>648,773</b>	<b>1.8%</b>
Financial assets at amortised cost	649,851	653,515	648,773	2.0%
<b>Austria</b>	<b>671,000</b>	<b>669,324</b>	<b>623,538</b>	<b>1.9%</b>
Financial assets at amortised cost	671,000	669,324	623,538	2.1%
<b>Ireland</b>	<b>960,500</b>	<b>934,190</b>	<b>938,033</b>	<b>2.6%</b>
Financial assets at amortised cost	960,500	934,190	938,033	2.9%
<b>United Kingdom</b>	<b>52,435</b>	<b>52,738</b>	<b>52,706</b>	<b>0.1%</b>
Financial assets at amortised cost	52,435	52,738	52,706	0.2%
<b>Belgium</b>	<b>715,000</b>	<b>717,999</b>	<b>670,792</b>	<b>2.0%</b>
Financial assets at amortised cost	715,000	717,999	670,792	2.2%
<b>Portugal</b>	<b>330,000</b>	<b>381,188</b>	<b>348,576</b>	<b>1.1%</b>
Financial assets at amortised cost	330,000	381,188	348,576	1.2%
<b>Switzerland</b>	<b>35,141</b>	<b>35,178</b>	<b>35,148</b>	<b>0.1%</b>
Financial assets at amortised cost	35,141	35,178	35,148	0.1%
<b>Saudi Arabia</b>	<b>90,000</b>	<b>90,038</b>	<b>74,162</b>	<b>0.3%</b>
Financial assets at amortised cost	90,000	90,038	74,162	0.3%
<b>Chile</b>	<b>203,100</b>	<b>214,686</b>	<b>166,838</b>	<b>0.6%</b>
Financial assets at amortised cost	203,100	214,686	166,838	0.7%
<b>China</b>	<b>165,832</b>	<b>165,397</b>	<b>129,595</b>	<b>0.5%</b>
Financial assets at amortised cost	165,832	165,397	129,595	0.5%
<b>Latvia</b>	<b>30,000</b>	<b>29,725</b>	<b>23,838</b>	<b>0.1%</b>
Financial assets at amortised cost	30,000	29,725	23,838	0.1%
<b>Iceland</b>	<b>15,000</b>	<b>14,965</b>	<b>13,148</b>	<b>0.0%</b>
Financial assets at amortised cost	15,000	14,965	13,148	0.0%
<b>Total sovereign exposures</b>	<b>18,643,124</b>	<b>18,240,992</b>	<b>17,735,223</b>	<b>50.6%</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 items have been determined on the total of the individual items 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 statements.

## Part E - Information on Risks and relating hedging policies

As at June 30, 2022, investments in debt securities issued by Sovereign States accounted for 50.6% of the Group's total assets and none of them were structured debt securities.

The following table shows the sovereign ratings as at June 30, 2022 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
France	Aa2	AA	AA
USA	Aaa	AAA	AA+
Austria	Aa1	A+	AA-
Ireland	A1	AA-	AA-
Belgium	Aa3	AA-	AA
Portugal	Baa2	BBB	BBB
United Kingdom	Aa3	AA-	AA
Switzerland	Aaa	AAA	AAA
Saudi Arabia	A1	A	A-
Chile	A1	A-	A+
China	A1	A+	A+
Latvia	A3	A-	A+
Iceland	A2	A	A

## 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 risks 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 internal 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 & Liquidity Risk function, within the CRO Department, 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.

#### Impacts of the crisis unfolded by COVID-19 pandemic and the Russia-Ukraine military conflict

During the first half of 2022, no impacts on the market risk profile resulting from the health emergency or the Russia-Ukraine military conflict were recorded, neither with regard to the banking book nor with regard to the trading book.

Following the COVID-19 pandemic, FinecoBank did not change the strategies, objectives or policies for the management, measurement and control of market risks.

#### 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 profits 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.



## Part E - Information on Risks and relating hedging policies

### Banking Book

The primary responsibility for monitoring and controlling Market Risk management in the banking book lies with the Group's competent Bodies. The Parent Company CRO Department 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 the Value at Risk.

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 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 CRO Department 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.

### Risk measures

#### VaR

The VaR calculated within market risk measurement for both the 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.

## Part E - Information on Risks and relating hedging policies

- it captures the correlation structure reflected in the simultaneous changes in market factors, implicitly assuming that it will remain constant in the future.

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 trading. Other movements in the trading book are recorded for the dealing on own account, according to which the FinecoBank becomes a direct counterparty to its clients. Such activity, which also include systematic internalization for a set of predefined securities and market making on the Turbo Certificates issued by FinecoBank, 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 2022, the daily VaR of the trading book amounted to € 162 thousand. The average for the first half of 2022 is € 116 thousand, with a maximum peak of € 436 thousand and a minimum of € 26 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 to 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).

## Part E - Information on Risks and relating hedging policies

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;
  - 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 (EBA/GL/2018/02) are also conducted on a weekly basis.

The scenarios relating to changes in economic value, used to fill in the EU IRRBB template reported in paragraph 2 "Banking book: internal models and other methods for sensitivity analysis", correspond to the scenarios of the Supervisory Outlier Test envisaged by the aforementioned EBA guidelines.

The scenarios applied in the EU IRRBB template relating to the change in interest income, on the other hand, reflect the assumptions underlying the assessments of the EV sensitivity scenarios and are calculated with the following assumptions:

- application of a post-shock floor increasing from -100 to 0 (from O / N to 20 years, an increase of 5 bps per year) for single currency and single curve;
- 50% weighting for the positive contributions of NII (per single currency).

For more details reference is made to *section 2. Banking book: internal models and other methods of sensitivity analysis*.

## Part E - Information on Risks and relating hedging policies

### 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.

(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 (-25bp)
<b>06/30/2022</b>	-20,076	23,549	-117	9,334	143,660	-33,931

\*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 negative impact of - € 20,076 thousand. A shift of -200 basis points showed a positive impact of € 23,549 thousand.

The sensitivity analysis on Group's capital, which was conducted assuming a shift of + 1 basis point, showed a negative impact of - € 117 thousand.

As of June 30, 2022, the interest rate VaR figure for the Bank came to approximately € 9,334 thousand. The average for the first half of 2022 is equal to € 6,724 thousand with a maximum peak of € 12,211 thousand and a minimum of € 3,545 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 € 80,387 thousand. The average for the 2022 half year is equal to € 62,353 thousand with a maximum peak of € 80,387 thousand and a minimum of € 44,175 thousand.

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 € 143,660 thousand. A shift of -25 basis points would have a negative impact of - € 33,931 thousand on the NIM over the next 12 months.

The assessments contained in the EU IRRBB Template report the exposure of the interest rate risk metrics on June 30, 2022 and December 31, 2021. For further information on the applied scenarios, please refer to the qualitative information section on Interest Rate Risk.

EU IRRBB Template

(Amounts in € thousand)

Supervisory shock scenarios	a		b		c		d	
	Changes of the economic value of equity				Changes of the net interest income			
	Current period		Last period		Current period		Last period	
1 Parallel Up	(20,076)	55,009	141,361	136,991				
2 Parallel Down	23,549	(18,202)	(210,048)	(50,005)				
3 Steepener shock	(12,368)	772	-	-				
4 Flattener shock	3,171	6,551	-	-				
5 Short rates Up	(2,944)	20,764	-	-				
6 Long rates Down	(1,665)	(22,380)	-	-				

## Part E - Information on Risks and relating hedging policies

### 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 deposits 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.

##### **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, 2022, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately € 46 thousand. The average for the first half of 2022 is equal to € 85 thousand with a maximum peak of € 209 thousand and a minimum of € 26 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 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.

At the reporting date, 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 has a "Group Liquidity Policy", directly applicable to the Parent Company and its Legal Entities, which defines 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, ensuring consistency between the liquidity risk contingency plan, the capital contingency plan, the Group Risk Appetite Framework and the Group Recovery Plan.

#### **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;

## Part E - Information on Risks and relating hedging policies

- 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);
- 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 the 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. With the update of the Group Liquidity Policy, it has been introduced a new management indicator called "Structural Ratio". The latter, developed by the CRO Department of the Parent Company, has the objective of managing the risk of maturity transformation, considering the specificities of Fineco's funding represented in the Bank's sight items model. Such indicator complements the NSFR regulatory indicator described above and shares its objectives and most of its logic.

### **Liquidity Stress Test**

Liquidity Stress Tests evaluate the impact of macro or micro-economic scenarios on Fineco's liquidity position, with the aim of testing the Bank's ability to continue its business in situations of liquidity distress.

Stress tests are carried out by simulating scenarios of idiosyncratic stress (decline in customer confidence) and situations of general market shock; a combination of the two shall also be considered in the stress test program. Within the stress test simulations, sensitivity analyzes are also provided to evaluate the impact produced by the movement of a particular single risk factor.

Additional scenarios are also defined (so-called reverse stress testing) aimed at identifying the risk factors and the circumstances that would lead to the Group's point of non-viability.

### **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 show some stickiness.

More specifically, liabilities modelling aims to build a profile reflecting at that 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 the Parent Company CRO Department and validated by the Internal Validation function.

### **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 significantly increasing 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.

## Part E - Information on Risks and relating hedging policies

### ***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.

Starting from the 2020 ICAAP & ILAAP report, concerning the data as at December 31, 2020, stress test consider the likely impact arising from COVID 19 pandemic on liquidity adequacy. The stress tests, which are conducted on the basis of scenarios that consider idiosyncratic, systemic risk factors and a combination thereof, did not show any criticality or relevant impacts for the Group.

### ***Impacts of the crisis unfolded by COVID-19 pandemic on liquidity***

No significant lasting impact of the pandemic has been recorded on the Group's liquidity profile. After an initial phase of adjustment, the dynamics of incoming and outgoing liquidity flows normalized, resuming a constant growth trend. For this reason, FinecoBank has not changed its strategies and objectives as well as its management, measurement and control policies.



## Part E - Information on Risks and relating hedging policies

### 1.5 - Operational 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 Group has a Global Policy for the monitoring and control of operational and reputational risks, approved by the Board of Directors of the Parent Company FinecoBank which 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.

The Group has also a Global Policy "Operational Risk Management Framework for the assessment of ICT and Cyber risk", which defines a common methodology at Group level for the assessment of IT and cyber risks. The analysis is conducted both in a context of normal business performance (expected impact), and in the event of extraordinary events (extreme impact).

##### **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 shall be regularly updated on changes to the risk profile and operational risk exposure.

The reports produced by the CRO Department for the Board of Directors ensure that management and control bodies are constantly updated on operational risk trend within the Group and they are able to actively intervene in risk management and mitigation. The Chief Risk Officer participation in the Products Committee also ensures oversight of the operational risk associated with the Group's new business activities.

The Operational & Reputational Risk Management (ORM) function is part of the CRO Department, 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 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 operational and reputational risks, also originating from environmental, social and governance factors (ESG);
- 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 Chief Risk Officer;
- 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;
- carry out systematic remote controls, through Risk Indicators, on the entire sale Network, in order to mitigate the internal fraud arising from PFA operations;
- carry out ex-post controls on the verifications carried out by the Network Controls, Monitoring and Network Services Department in relation to internal frauds implemented by Personal Financial Advisors to the detriment of customers, in order to identify areas for improvement;
- implement and update the anomaly indicator management system 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.

## Part E - Information on Risks and relating hedging policies

### **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.

The Group has established a Permanent Work Group (PWG), which includes the CRO Department and Organization & Bank Operation; the interaction between the different corporate functions is aimed at sharing their respective knowledge relating to planned or ongoing projects, new processes, products, or changes to them and any other element that may impact on the Group's risk profile.

As part of operational risk prevention and controls on the sales network, the CRO Department 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 & Reputational 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 direct monitoring of the sale network, carried out with SoFIA, ex-post controls were also implemented on the verifications carried out by the Network Controls, Monitoring and Network Services Department in relation to internal frauds carried out by financial consultants to the detriment of customers, aimed at identifying any areas for improvement.

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. The participation of the Chief Risk Officer is indeed explicitly envisaged by "New product process" Global Policy.

### **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 & Reputational Risk function carries 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, the function uses several key risk indicators divided into control areas (Credit Cards, Compliance, HR, Legal, Operations securities, Payment Systems, Claims, Risk Management, Reputation, Transparency, AML/CFT, IT systems, Security, Administration and Audit), with which the Group mean to measure its exposure to operational risk. Should indicators show irregular values, this might be related to changes in the exposure to operational risk. Within the overall set of KRI, several ESG relevant indicators have been identified. Any irregular value of such risk indicators may signal risks related to customer relationship (e.g. client claims, unavailability or security issues in the ICT system), with employees (e.g. high turnover) or with regulators, which may affect business sustainability.

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, 2022, amounted to € 100,499 thousand (8% of RWA).

### **Risks arising from significant legal disputes**

The Group, only referred to FinecoBank, is involved in individually insignificant 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 it is possible to reliably estimate the amount of possible charges and the charges are considered likely, provisions have been made in an appropriate amount based on the circumstances and consistent with applicable international accounting standards, by making the best possible estimate of the amount that the Group will reasonably be expected to incur in discharging its obligations. Specifically, as a precaution against these obligations and customer claims that have not yet resulted in legal proceedings, as at June 30, 2022, FinecoBank had a provision in place for risks and charges of € 24,243 thousand. This provision includes the legal costs borne 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. This

## Part E - Information on Risks and relating hedging policies

estimate was determined by the Group, in relation to the current dispute, mainly based on the analysis of Forensic official tariffs provided for by current legislation.

### **Risks arising from tax disputes and audits**

Risks arising from tax disputes and audits as of June 30, 2022, mainly relate to a notice of assessment for the year 2003 received by FinecoBank containing an objection to the use of tax credits for € 2.3 million, in relation to which the Bank has appealed to the Supreme Court as it considers its position to be well-founded. The Bank has already paid the additional taxes and interest due.

Regarding 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 of June 30, 2022, 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 € 3.7 million, for penalties and interest.

### **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).

With the adoption of the Global Policy "Operational Risk Management Framework for ICT and Cyber Risk Assessment", the Group has established and adopted a common 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 in the month of December 2021. 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 Process Owners 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 December 31, 2021, published on the FinecoBank website (<https://www.finecobank.com>).

It should be noted that on 24 February 2022, with the start of the military conflict between Russia and Ukraine, the CSIRT (the National Cybersecurity Agency's response team) called for heightened attention and the adoption of all measures to protect ICT assets, an alert addressed to Italian companies that have relations with Ukrainian operators. On 28 February 2022, the Agency produced a new alert, this time addressed to all national digital infrastructure operators, urging them to adopt "a posture of maximum cyber defence": the offensive could in fact be directed against the coalition that has mobilised to support the attacked country. As far as Italy is concerned, the targets are generally ministries, government agencies, and companies that are strategic for the national interest, including financial institutions. The Group's objective is to ensure the protection of customers by guaranteeing data security, declined in its characteristics of availability, confidentiality and integrity: in the light of the Russian-Ukrainian crisis on the EU financial markets, particular attention has been paid to the assessment of related risks. In compliance with the measures provided for by current legislation, Fineco has undertaken a series of initiatives aimed at verifying its security posture and operational readiness, also making use of the indications and recommendations suggested by the various national and international bodies. Without prejudice to the adoption, as always, of best practices in the field of security, in terms of both technical and organizational/procedural measures, further mechanisms have been assessed and introduced to deal with any impacts deriving from the contingent situation.

### **Analysis of operational and security risks related to payment services**

In accordance with the 28<sup>th</sup> update of Bank of Italy Circular 285, the Group carries out an assessment of operational and security risks related to payment services provided by the Group. The adequacy of mitigation measures and control mechanisms in place are also in scope. The resulting report for the year 2022 did not show any criticalities or weaknesses, and it was sent to the Bank of Italy within April 30, 2022, according to the rule thereof.

## Part E - Information on Risks and relating hedging policies

### **Impacts of the crisis unfolded by COVID-19**

No relevant impacts arising from COVID-19 pandemic have been detected so far on the Group operational risk profile. 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.

As far as operational risk is concerned, it should be noted that FinecoBank has not changed its strategies and objectives as well as its management, measurement and control policies.

### **Quantitative information**

Operational loss analyses enable the Operational & Reputational Risk 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 2 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.

### **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, the Group annually carries out a risk assessment identification process aimed at identifying all relevant risks different from Pillar One risks (credit, market and operational), to which the Group is, or may be exposed to. Along with traditional financial risks, potential significant non-financial risks are also identified, including for example reputational risks and those deriving from environmental, social and governance (ESG) factors.

After the identification of all relevant risks, the best method for analyzing them shall be identified, whether quantitative or qualitative. The quantitative measurement may be carried out through several tools, such as scenario analysis (this is the choice in particular for hard quantifiable risk such as the reputational risk and the compliance risk), VaR or the Internal Capital calculation. The latter stands for the capital needed to cope with potential losses arising from the Group's activities, and takes into consideration all risks defined by the Group itself quantifiable in terms of capital, consistently with Pillar two requirements.

The main risks considered in the overall Group Internal Capital as of December 2021 are default risk, concentration risk, migration risk, market risk, interest rate risk, credit spread risk, operational risk, business risk, and real estate risk. The overall Internal Capital is periodically exposed to stress test exercises. Such tools allows to assess the Group's vulnerabilities to exceptional but plausible events, providing additional information with respect to monitoring activities.

### **Environmental, social and governance risks**

Since 2020, the FinecoBank Group has begun a progressive integration of Environmental, Social and Governance risks into its risk management framework.

During the Risk Inventory process for 2022, a specific focus on ESG risks and reputational risks has been developed. Since these are horizontal risks, the analysis focused on the impact assessment of environmental, social, reputational and governance risk factors across the traditional risk categories already managed and monitored by the Group.

The assessment of ESG risks, consistently with the priorities highlighted by the Regulators, mainly focused on climate and environmental risks, and did not show a high incidence of the latter on the Group's risk profile. In particular, as far as the FinecoBank's business model is concerned, the risk categories affected by ESG factors were credit and business risks. In particular credit risk, albeit marginally, may suffer the negative effects from physical and transitional events, whereas business risk, may suffer long term impacts stemming from the change in customer preferences as part of the adjustment process towards a low-emission economy.

## Part E - Information on Risks and relating hedging policies

In order to mitigate the exposures to ESG risks, as part of credit risk second level controls, a series of monitoring activities have been implemented, aimed at safeguarding the most vulnerable areas. For example, a specific indicator of environmental risk (ND-Gain) has been included in the context of country risk monitoring. Other examples are the concentration monitoring on mortgages real estate collateral in high climatic and environmental risk areas, carried out under the RAF monitoring, as well as ICAAP stress tests. The latter in particular is configured as a sensitivity analysis calculated on an annual basis, and focuses on three unrelated risk factors considered relevant to Fineco's business model:

- change of preference of clients from FAM funds classified as "non-ESG" (art. 6 SFDR) to third party funds classified as "ESG" (art. 7 and 8 SFDR). The objective of the scenario, which may be classified as a transition risk, is to estimate the impact of the change of preference on the commission profile and internal capital relating to the Group's business risk;
- reduction in the value of real estate collateral securing mortgages located in areas with high climatic and environmental risk (physical risk). The reduction in value would determine an increase in LGD and a consequent increase in credit provisioning and greater internal capital to cover credit risks;
- downgrade of the countries mostly exposed to climate and environmental risks. In the ICAAP 2021 stress test, in line with the exposures held by the Group, the counterparties considered were China, United Arab Emirates and Latvia. The downgrade determines a higher PD of the aforementioned sovereign counterparties, and consequently greater credit provisions and credit risk internal capital.

The outcomes of the stress test confirm the limited impacts of climatic and environmental factors on the Group's business model.

In addition to this, as part of the design and implementation process, on a voluntary basis, of the Environmental Management System compliant with the requirements of EMAS regulation no. 1221/2009/EC, during the first half 2022 the initial environmental analysis has been updated, a tool that allowed to map the needs and expectations of stakeholders in the environmental field, detecting their respective risks for FinecoBank, as well as defining a risk classification generated and suffered by the organization connected to the most significant environmental aspects on the basis of company activities. In addition to the expectations and related risks mapped in the previous year, in 2022, the supervisory activity exercised on Fineco by the European Central Bank (ECB), as of 1 January 2022, was made explicit, which reflected specific expectations regarding the integration of climate and environmental risks into the framework for determining risk appetite, as well as an increased focus by regulators on ESG factors related to the implementation of European legislation in the area of transparency of sustainability disclosures in the financial services sector, the Taxonomy of environmentally sustainable activities, the integration of sustainability factors, sustainability risks and sustainability preferences in investment advisory activities, and sustainability factors in product governance requirements.

### ***Risks associated with "Brexit"***

The Group continues to develop its business in the UK, offering trading and investment services to UK customers through passporting under the UK Temporary Permission Regime (TPR).

In addition, FinecoBank is in continuous contact with the competent authorities regarding the evolution of the Brexit scenario, expected at the end of the aforementioned TPR period, and the related need to intervene in the structure of the UK business to meet the new post-TPR regulatory requirements.

### **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

Group capital management is aimed at ensuring that prudential ratios are consistent with the risk profile assumed and comply with regulatory requirements.

The monitoring of capital adequacy at individual and consolidated level is ensured 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. In the dynamic management of capital, therefore, the Parent Company draws up the capital plan and monitors the regulatory capital requirements, anticipating the necessary actions to achieve the objectives.

Capital and its allocation are therefore extremely important in defining long-term strategies, since, on the one hand, it represents the shareholders' investment in the Group, which must be adequately remunerated, and, on the other hand, it is a scarce resource on which there are exogenous limits, defined by supervisory regulations. In this regard, it should be noted that, at the end of the Supervisory Review and Evaluation Process (SREP), on March 21, 2022 the Competent Authority communicated the capital requirements applicable to the FinecoBank Group:

- 8.12% in terms of Common Equity Tier 1 ratio, which includes the Pillar 2 Requirement (P2R), set at 1.12%;
- 10.00% in terms of Tier 1 Ratio, which includes a P2R, set at 1.50%;
- 12.50% in terms of Total Capital Ratio, which includes a P2R, set at 2.00%.

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>29</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>29</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	201,340	-	-	-	201,340
2. Share premium reserve	1,934	-	-	-	1,934
3. Reserves	785,531	-	-	-	785,531
4. Equity instruments	500,000	-	-	-	500,000
5. (Treasury shares)	(1,714)	-	-	-	(1,714)
6. Revaluation reserves:	(174)	-	-	-	(174)
- Financial assets (other equity securities) designated at fair value through other comprehensive income	(2,056)	-	-	-	(2,056)
- Actuarial gains (losses) on defined benefit plans	1,883	-	-	-	1,883
- Provisions for valuation reserves related to equity investments valued at shareholders' equity	(1)	-	-	-	(1)
7. Net profit (loss) for the year	222,363	-	-	-	222,363
<b>Total</b>	<b>1,709,280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,709,280</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	-	(2,056)	-	-	-	-	-	-	-	(2,056)
2. Equity securities	-	-	-	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-	-	-	-
<b>Total 06/30/2022</b>	<b>-</b>	<b>(2,056)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,056)</b>
<b>Total 12/31/2021</b>	<b>410</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>410</b>	<b>-</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>410</b>	-	-
<b>2. Increases</b>	-	-	-
2.1 Fair value increases	-	-	-
2.2 Adjustments for credit risk	-	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>(2,466)</b>	-	-
3.1 Fair value reductions	(2,056)	-	-
3.2 Recoveries for credit risk	(4)	-	-
3.3 Reclassification through profit or loss of realised positive reserves	(406)	X	-
3.4 Transfer to other shareholder's equity item (equity securities)	-	-	-
3.5 Other changes	-	-	-
<b>4. Closing balance</b>	<b>(2,056)</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>(6,287)</b>
<b>2. Increases</b>	<b>8,170</b>
2.1 Fair value increases	8,170
2.2 Other changes	-
<b>3. Decreases</b>	-
3.1 Fair value reductions	-
3.2 Other changes	-
<b>4. Closing balance</b>	<b>1,883</b>

## Section 2 - Own funds and banking regulatory ratios

Please refer to the information on own funds and the capital adequacy contained in the document "FinecoBank Group public disclosure – Pillar III as of 30 June 2022", published on the Company's website [www.finecobank.com](http://www.finecobank.com), as required by Regulation (EU) 575/2013 subsequently Regulations modifying its content, including in particular, the Regulation (EU) 876/2019 (so called CRR II) of the European Parliament and of the Council.



## 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 of FinecoBank, 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 Deputy General Manager/PFA Network Commercial and Private Banking Manager, the Deputy General Manager/Global business Manager. Starting from year 2022, this category also includes key management personnel (by which is meant, members of the management and control bodies, the latter where present) of Group companies. As a result of this change, data as of June 30, 2021 have been restated.

(Amounts in € thousand)

Items/sectors	Total	Total
	06/30/2022	06/30/2021
Remuneration paid to "Key Management Personnel", Directors and the Board of Statutory Auditors		
a) short-term benefits	4,451	4,264
b) post-employment benefits	261	200
<i>of which under defined benefit plans</i>	-	-
<i>of which under defined contribution plans</i>	261	200
c) other long-term employee benefits	428	-
d) termination benefits	-	-
e) share-based payments	1,554	1,360
<b>Total</b>	<b>6,694</b>	<b>5,824</b>

### 2. Related-party transactions

At its meeting of December 16th, 2021 (effective January 15, 2022) 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 version of the Global Policy "Procedure for the management of transactions with persons in potential conflict of interest of the FinecoBank Group" (the "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 amended and updated from time to time (most recently by Consob Resolution No. 21624 of 10 December 2020);
- transactions with associated persons pursuant to the regulations on "*Risk activities and conflicts of interest with Associated Persons*", laid down by Chapter 11 of Bank of Italy Circular No. 285 of 17 December 2013 (setting out the "Supervisory Provisions for Banks"), as supplemented following Update No. 33 of 23 June 2020;
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 on September 1, 1993, showing the "*Consolidated Law on Banking*";
- transactions with other relevant persons in potential conflict of interest as defined by the Bank on a self-regulatory basis, taking into account the applicable legal and regulatory provisions;
- loans granted to Directors (i.e. members of the administrative, management and control bodies) and their related parties, pursuant to art. 88 of the CRD.

Considering the above, during first half 2022, 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, 2022, for each group of related parties pursuant to IAS 24:

(Amounts in € thousand)

	Amounts as at 06/30/2022						
	Associates	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	-	1,006	492	1,498	0.01%	4,065	0.02%
<b>Total assets</b>	<b>-</b>	<b>1,006</b>	<b>492</b>	<b>1,498</b>	<b>0.00%</b>	<b>4,065</b>	<b>0.01%</b>
Financial liabilities at amortised cost b) deposits from customers	-	6,971	1,707	8,678	0.03%	-	0.00%
Other liabilities	74	143	-	217	0.05%	-	0.00%
<b>Total liabilities</b>	<b>74</b>	<b>7,114</b>	<b>1,707</b>	<b>8,895</b>	<b>0.03%</b>	<b>-</b>	<b>0.00%</b>
<b>Commitments and financial guarantees given</b>	<b>-</b>	<b>568</b>	<b>12</b>	<b>580</b>	<b>0.86%</b>	<b>-</b>	<b>0.00%</b>

With regard to the above transactions, broken down by type of related party, details of the impact on the main items of the consolidated income statement are also proposed consolidated income statement:

(Amounts in € thousand)

	Income Statement 1st half 2022						
	Associates	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	2	0.00%	-	0.00%
Fee and commission income	-	2	3	5	0.00%	8,549	1.87%
Fee and commission expenses	(201)	-	-	(201)	0.09%	-	0.00%
Other net operating income	-	27	4	31	0.05%	-	0.00%
<b>Total income statement</b>	<b>(201)</b>	<b>30</b>	<b>8</b>	<b>(163)</b>		<b>8,549</b>	

The "Associates" category includes transactions with Hi-Mtf Sim S.p.A., a company under significant influence, in which FinecoBank holds a 20% stake for a balance sheet amount of €1,845 thousand. The above transactions originate from the agreement entered by the Bank with Hi-Mtf Sim S.p.A. for the trading, on the Hi-Cert segment, of Turbo Certificates issued by Fineco.

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 the Directors, Board of Statutory Auditors and Key Management Personnel of the Parent Company dealings (excluding their remuneration, which are discussed in point 1. *Details of compensation for key management personnel*), Key Management Personnel of the Subsidiary Fineco AM (meaning the members of the administrative and supervisory bodies, where present, with the exclusion of the relevant remuneration referred to in point 1 above) 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 the first half 2022 refers to the costs and revenues generated from the aforesaid assets and liabilities.

## Part H - Related-party transactions

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 granting of loans and credit card use, and liabilities for funds held with the Bank. The income statement for the first half 2022 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, 2022 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 2022.

## 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 consolidated 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 consolidated 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 1 <sup>st</sup> half 2022	Depreciation 1 <sup>st</sup> half 2021
Right of use	-	-
<b>1. Property, plant and equipment</b>	<b>(5,506)</b>	<b>(5,426)</b>
1.1 land	-	-
1.2 buildings	(5,408)	(5,295)
1.3 office furniture and fittings	-	-
1.4 electronic systems	-	-
1.5 other	(98)	(132)

## Section 2 - Lessor

### Qualitative information

The Group has leasing operations, in its capacity as lessor, represented exclusively by lease contracts 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 consolidated accounts.

## 1. Balance sheet and income statement information

The Group has not recognised 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 consolidated 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 data to report.

### 2.2 Other information

No data 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)

Maturity ranges	Total	Total
	06/30/2022	12/31/2021
	Lease payments receivables	Lease payments receivables
Up to one year	753	731
Over one year up to 2 years	753	731
Over 2 years up to 3 years	460	731
Over 3 years up to 4 years	126	161
Over 4 years up to 5 years	-	40
For over 5 years	-	-
<b>Total</b>	<b>2,092</b>	<b>2,394</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	Amounts as at	
	06/30/2022	12/31/2021
Cash and cash balances = item 10	1,542,372	1,464,182
Financial assets held for trading	20,020	20,240
20. Financial assets at fair value through profit or loss a) financial assets held for trading	20,020	20,240
Loans and receivables with banks	400,215	379,862
40. Financial assets at amortised cost a) loans and receivables with banks	4,517,184	5,757,506
less: Financial assets at amortised cost a) loans and receivables with banks - Debt securities	(4,116,969)	(5,377,644)
Loans and receivables with customers	6,310,789	6,001,596
40. Financial assets at amortised cost b) loans and receivables with customers	27,451,325	25,138,453
less: Financial assets at amortised cost b) loans and receivables with customers - Debt securities	(21,140,536)	(19,136,857)
Financial investments	25,294,566	24,560,350
20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	5,719	5,538
30. Financial asset at fair value through other comprehensive income	29,497	39,017
70. Equity investments	1,845	1,294
Financial assets at amortised cost a) loans and receivables with banks - Debt securities	4,116,969	5,377,644
Financial assets at amortised cost b) loans and receivables with customers - Debt securities	21,140,536	19,136,857
Hedging instruments	948,764	125,913
50. Hedging derivatives	1,140,627	127,448
60. Changes in fair value of portfolio hedged financial assets (+/-)	(191,863)	(1,535)
Property, plant and equipment = item 90	146,686	150,347
Goodwill = item 100. Intangible assets of which: goodwill	89,602	89,602
Other intangible assets = item 90 net of goodwill	37,525	39,084
Tax assets = item 100	44,681	42,974
Tax credit acquired	827,217	508,764
Other assets	415,278	484,261
130. Other assets	1,242,495	993,025
less: Tax credit acquired	(827,217)	(508,764)
<b>Total assets</b>	<b>36,077,715</b>	<b>33,867,175</b>

# Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

Liabilities and Shareholder's Equity	Amounts as at	
	06/30/2022	12/31/2021
Deposits from banks	2,333,322	1,225,213
10. Financial liabilities at amortised cost a) deposits from banks	2,333,322	1,225,213
Deposits from customers	30,827,605	29,847,722
10. Financial liabilities at amortised cost b) deposits from customers	30,827,605	29,847,722
Debt securities in issue	498,833	497,266
10. Financial liabilities at amortised cost c) debt securities in issue	498,833	497,266
Financial liabilities held for trading = item 20	7,104	4,417
Hedging instruments	2,581	65,263
40. Hedging derivatives	13,004	57,313
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	(10,423)	7,950
Tax liabilities = item 60	118,430	35,864
Other liabilities	580,560	464,633
80. Other liabilities	471,231	342,844
90. Provisions for employee severance pay	4,234	5,033
100. Provisions for risks and charges	105,095	116,756
Shareholders' Equity	1,709,280	1,726,797
- capital and reserves	1,487,091	1,351,963
140. Equity instruments	500,000	500,000
150. Reserves	785,531	650,202
160. Share premium reserve	1,934	1,934
170. Share capital	201,340	201,267
180. Treasury shares (-)	(1,714)	(1,440)
- revaluation reserves	(174)	(5,877)
120. Revaluation reserves of which: financial assets at fair value through other comprehensive income	(2,057)	410
120. Revaluation reserves for actuarial net gains (losses) for defined benefit plans	1,883	(6,287)
- net profit = item 200	222,363	380,711
<b>Total liabilities and shareholders' equity</b>	<b>36,077,715</b>	<b>33,867,175</b>

# Reconciliation of condensed consolidated accounts to mandatory reporting schedule

INCOME STATEMENT	(Amounts in € thousand)	
	1st half	
	2022	2021
Financial margin	176,407	147,897
of which Net interest	126,961	124,338
30. Net interest margin	124,460	121,824
+ net commissions on Treasury securities lending	2,501	2,514
of which Profits from Treasury	49,446	23,559
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	49,137	23,559
+ gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income (unimpaired)	309	-
Dividends and other income from equity investments	(148)	-
70. Dividend income and similar revenue	157	114
less: dividends from held-for-trading equity instruments included in item 70	(138)	(84)
less: dividends from mandatorily at fair value equity instruments included in item 70	(19)	(30)
+ writebacks (write-downs) of investments accounted for using the equity method	(148)	-
Net fee and commission income = item 60	232,514	214,346
60. Net fee and commission income	235,015	216,225
+ other charges/income related to the application of the Fixed Operating Expenses (FOE) model	-	635
Less: net commissions on Treasury securities lending	(2,501)	(2,514)
Net trading, hedging and fair value income	54,843	40,571
80. Gains (losses) on financial assets and liabilities held for trading	43,508	38,045
90. Fair value adjustments in hedge accounting	11,725	1,549
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	(547)	863
100. Gains (losses) on disposal or repurchase of: b) financial asset at fv through other comprehensive income	309	-
less: Gains (losses) on disposal or repurchase of: b) financial asset at fv through other comprehensive income	(309)	-
100. Gains (losses) on disposal or repurchase of: c) financial liabilities	-	-
+ dividends from mandatorily at fair value equity instruments included in item 70	138	84
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	19	30
Net other expenses/income	416	644
230. Other net operating income	68,500	67,624
less: other net operating income - of which: recovery of expenses	(69,063)	(67,470)
less: adjustments of leasehold improvements	979	1,125
less: other charges/income related to the application of the Fixed Operating Expenses (FOE) model	-	(635)
100. Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost (unimpaired)	49,137	23,559
less: gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	(49,137)	(23,559)
<b>REVENUES</b>	<b>464,032</b>	<b>403,458</b>
Staff expenses	(57,538)	(52,884)
190. Administrative expenses - a) staff expenses	(57,538)	(52,884)
Other administrative expenses	(134,364)	(128,028)
190. Administrative expenses - b) other administrative expenses	(141,111)	(134,608)
less: contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	7,726	7,705
+ adjustments of leasehold improvements	(979)	(1,125)
Recovery of expenses	69,063	67,470
230. Other net operating income- of which: recovery of expenses	69,063	67,470
Impairment/write-backs on intangible and tangible assets	(13,191)	(12,662)
210. Impairment/write-backs on property, plant and equipment	(9,806)	(9,396)
220. Impairment/write-backs on intangible assets	(3,385)	(3,266)
<b>Operating costs</b>	<b>(136,030)</b>	<b>(126,104)</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>328,002</b>	<b>277,354</b>
Net impairment losses on loans and provisions for guaranteed and commitments	(1,225)	(1,688)
130. Impairment losses/writebacks on: a) financial assets at amortised cost	(1,930)	(419)
less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	754	(1,234)
130. Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income	(1)	5
less: impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	1	(5)
140. Profit/loss from contract changes without cancellation	(1)	-
200. Net provisions for risks and charges:a)provision for credit risk of commitments and financial guarantees given	(48)	(35)
<b>NET OPERATING PROFIT (LOSS)</b>	<b>326,777</b>	<b>275,666</b>
Other charges and provisions	(12,498)	(14,023)
200. Net provisions for risks and charges b) other net provision	(4,772)	(6,318)
+ contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	(7,726)	(7,705)
Net income from investments	(754)	1,239
+ impairment losses/writebacks on: a)financial assets at amortised cost - debt securities	(754)	1,234
+ impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	(1)	5
250. Profit (loss) on equity investments	(148)	-
Less: Profit (loss) on equity investments	148	-
280. Gains (losses) on disposal of investments	1	-
Income tax for the period = item 300	(91,162)	(46,212)
<b>NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>222,363</b>	<b>216,670</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>222,363</b>	<b>216,670</b>



## Certification of consolidated interim Financial Statements pursuant to article 81-ter of Consob regulation no. 11971 of May 14, 1999 and subsequent amendments

1. The undersigned, Alessandro Foti, as Managing Director and General Manager of FinecoBank S.p.A., and Lorena Pelliciarì, 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 consolidated interim financial statements, during the first half 2022.

2. The adequacy of the administrative and accounting procedures employed to draw up the consolidated financial statements for the year has been evaluated by applying a model defined, 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, August 2, 2022

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 Pelliciarì







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**(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)**

## Report on review of condensed interim consolidated financial statements

*To the shareholders of  
FinecoBank S.p.A.*

### Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the FinecoBank Group, comprising the balance sheet as at 30 June 2022, the income statement and the statements of comprehensive income, changes in shareholders' equity and cash flows for the six months then ended and notes thereto. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

### Scope of the review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, 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 on the condensed interim consolidated financial statements.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the FinecoBank Group as at and for the six months ended 30 June 2022 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.



**FinecoBank Group**

*Report on review of condensed interim consolidated financial statements  
30 June 2022*

**Other matters**

The 2021 annual and condensed interim consolidated financial statements were respectively audited and reviewed by other auditors, who expressed an unmodified opinion and an unmodified conclusion thereon on 31 March 2022 and 5 August 2021, respectively.

Milan, 3 August 2022

KPMG S.p.A.

(signed on the original)

Roberto Spiller  
Director of Audit







# 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.

# Glossary

## 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;
  - 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.

# Glossary

## **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.

## **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.

# Glossary

## **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.

## **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.

# Glossary

## **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.

## **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, the Individual Savings Plans ("Piani Individuali di Risparmio" or "PIR") and the "Core Unit", "Advice Unit", "Core Multiramo", "Advice Top Valor" and "Old Mutual", the funds "FAM Evolution", "FAM Global Defence" and "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.

## **HNWI**

High Net Worth Individual, i.e. Private customers with TFA of over € 1 million.

# Glossary

## 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

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.



# Glossary

## 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.

## 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.

# Glossary

## 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.

## Minimum Requirement for Eligible Liabilities (MREL)

The Minimum Requirement for Eligible Liabilities (MREL) is set by the Resolution Authorities to ensure that a bank maintains at all times sufficient tools to facilitate the implementation of the resolution strategy defined by the Resolution Authority in the event of a crisis. The MREL aims to prevent the resolution of a bank from being dependent on public financial support and, therefore, helps to ensure that shareholders and creditors contribute to loss absorption and recapitalisation.

## 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.

## 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.

# Glossary

## **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.

## **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).

# Glossary

## 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.

## 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).

# Glossary

## **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.





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