# HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS 2022

## NET INSURANCE GROUP

23RD financial year

Registered Office and Headquarter

Via Giuseppe Antonio Guattani, 4 00161 Roma

E-MARKET SDIR CERTIFIED

Net Insurance S.p.A.

Legal Offices and Headquarters
*Via Giuseppe Antonio Guattani, 4, 00161 Rome*
*Share capital € 17,615,050 fully paid-in*
*Enrolment in the Companies' Register of Rome*
*Tax code No. 06130881003 VAT No. 15432191003*
*R.e.a. Rome No. 948019*
*Registration in the ISVAP registrar of companies No. 1.00136*
*The Company is the Parent Company of the Net Insurance Group*
*Registration in the ISVAP registrar of Insurance Groups No. 23*

Non-life insurance and reinsurance authorised company

23rd financial year

Net Insurance S.p.A. Corporate bodies

BOARD OF DIRECTORS[1]
Luisa TODINI
Chairperson and Independent Director
Andrea BATTISTA
Chief Executive Officer
Simonetta GIORDANI Independent Director
Roberto ROMANIN JACUR
Independent Director
Mayer NAHUM
Independent Director
Matteo CARBONE
Independent Director
Andrea MARALLA
Independent Director
Anna DORO
Independent Director
Monica REGAZZI
Independent Director
Nicoletta GAROLA
Independent Director
Pierpaolo GUZZO
Independent Director

BOARD OF STATUTORY AUDITORS[2]
Antonio BLANDINI
Chairperson
Marco GULOTTA
Statutory Auditor
Sabina IPPOLITONI
Statutory Auditor
Ettore GUARINI
Alternate Auditor
Carmen PADULA
Alternate Auditor

[1] The members of the Board of Directors were appointed by the Shareholders' Meeting held on 27 April for the three-year period 2022-2024 until the Shareholders' Meeting will be called to approve the financial statements as at 31 December 2024.
[2] The members of the Board of Statutory Auditors were appointed by the Shareholders' Meeting held on 27 April for the three-year period 2022-2024 until the Shareholders' Meeting will be called to approve the financial statements as at 31 December 2024.

MANAGER IN CHARGE
OF DRAFTING THE COMPANY'S
FINANCIAL REPORTS
Luigi DI CAPUA

AUDITING COMPANY
KPMG S.p.A.

EURONEXT GROWTH ADVISOR
ENVENT Capital Market Ltd

INTERNAL CONTROL, RISK AND RELATED
PARTIES COMMITTEE
Andrea MARALLA Chairperson and Independent
Director
Mayer NAHUM Independent Director
Pierpaolo GUZZO Independent Director

APPOINTMENT AND REMUNERATION
COMMITTEE
Roberto ROMANIN JACUR Chairperson and
Independent Director
Anna DORO Independent Director
Nicoletta GAROLA Independent Director

INVESTMENT COMMITTEE
Luisa TODINI Chairperson and Independent
Director
Andrea BATTISTA Chief Executive Officer
Roberto ROMANIN JACUR Independent Director

ESG COMMITTEE[3]
Simonetta GIORDANI Chairperson and Independent Director
Monica REGAZZI Independent Director
Anna DORO Independent Director

[3] The ESG board Committee was set up at group level by the Board of Directors of Net Insurance on 27 April.

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## MANAGEMENT REPORT

The first six months of the year were characterised by intense strategic planning: the Group after the announcement of the 2021 financial results started the process for the preparation of the new 2022 - 2025 Business Plan as well as approved the launch of the listing project on the main price list, with the explicit aim of joining the STAR segment.

These two project lines - clearly interdependent although distinct - have heavily engaged the company's management and operational structures. The two projects represent the levers through which the Group intends to give continuity to the positive results achieved in the recent three-year period 2019-2021, to aim at the development of new strategic options and, progressively, at the improvement of the value creation process for the benefit of shareholders.

As for the results of the first half-year of the Group, it should be noted that some values of the first quarter disclosed to the financial community (premiums issued and solvency) had confirmed the growth trend despite the adverse scenario that arose due to the Russia-Ukraine conflict still ongoing. In the second quarter of the year, the Group's growth was confirmed both in terms of premium income and profitability. The bancassurance business is the channel that is expressing high levels of growth to the point that, it can be said, that bancassurance for our Group is moving beyond the "startup" phase to entering a "scale-up" phase.
In fact, in terms of results, the gross premiums written referring to the so-called “bancassurance” channel amounted to 23.2 million Euros; a figure up by 54% compared to the first half of 2021; this trend confirms how our partners appreciate the quality of “Net-branded” products and services.

Furthermore, for the bancassurance segment, in this first half of the year, new and important partnerships were established with Cassa di Volterra S.p.A. and Banca di Credito Popolare S.c.p.A. With these agreements, the number of “points of sale” – to date amounting to more than a thousand – where the customised and innovative insurance solutions offered by the Net Insurance Group are distributed is further growing. The group is therefore progressively carving out a role within the insurance market, thus becoming an insurance player of reference for local banks. This thanks to the long-standing experience of its management team as well as to an operating organisation geared towards the use of innovative insurance processes throughout all phases of the life of an insurance policy.

As for the rest of the business lines, it should be noted that in the salary-backed loan segment, in the early months of 2022, the leadership position historically held by the Group was confirmed, which in fact steadily maintains a market share above 25%[4], confirming the high quality of the products and services offered to partners.

With regard to the broker channel, which continues to maintain its "role" as a complementary channel to bancassurance in the Net Insurance Group's offering, new agency/brokerage agreements were signed in the current half-year with Victor Insurance Italia S.r.l., BCM Insurance Broker S.r.l., Yobi S.r.l., to which the following can be added, with a targeted reference to the development of the Suretyship class: Galgano S.p.A. and Olimpia Managing General Agenti S.r.l.

In this channel, the hail business remains the driving force, with premium income in the first half-year amounting to 24 million Euros, along with the Suretyship class with a premium income of approximately 881 thousand Euros. The latter showed an increase of 35% compared to the first half of 2021.

For the “digital” channel, the distribution network was expanded through the execution of new agreements with All Well S.r.l. and Coverzen S.r.l., and the consolidation of the existing partnerships.

All considered, despite the tragic war conflict, which severely impacted market stability among other things, the Net Insurance Group closed the first half of the year with revenues – expressed in terms of **gross premiums written** – of **96,899 thousand Euros**, an increase of 22.44% compared to the "turnover" generated as at 30 June 2021. The growth in “turnover” is mainly affected by the strategy of expanding the distribution channels pursued by the Group as well as developing the “Net Insurance Business Academy” which enables the Group to train its network of distributors through a targeted training programme.

**Gross earned premiums** amounted to **78,711 thousand Euros** (+21% compared to the first half of 2021).

Ordinary expenses amounted to 10,628 thousand Euros (compared to 10,060 thousand Euros in the first half of 2021). Costs are impacted by the important investments that the Group makes for the implementation of the fundamental systems and processes along the entire value chain. More specifically, the trend is mainly attributable to the Group's strategy of expanding its distribution channels and developing the Net Insurance Business Academy, among others.

[4] The percentage is expressed in terms of the number of financing contracts insured.

In terms of solvency, the **Solvency Ratio** is **171.90%,** with a limited decrease despite the strong market turbulence.

**The normalised profit,** i.e. the net result for the period adjusted for charges and income related to non-recurring events outside of ordinary business, amounted to **6,018 thousand Euros.**

**The net profit,** which amounted to **5,887 thousand Euros,** was positively affected by the good technical margins expressed in the half-year just ended.

Overall, the results of this half-year are in line with the targets expected for the end of the year and defined in the new business plan, and confirm how the Group, in this fourth year after the merger process with Archimede SPAC, continues to grow expressing qualitatively high technical indicators.

## Form and content

The Half-Yearly consolidated financial statements as at 30 June 2022 were drafted in accordance with the ISVAP Regulation No. 7 dated 13 July 2007, as amended by:

- ISVAP Regulation No. 2784 of 8 March 2010, implementing IAS 1 changes (amendment of Other Comprehensive Income "OCI") and IFRS 7 changes (new classification of financial instruments according to the fair value hierarchy);
- IVASS Regulation No. 14 of 28 January 2014, which implemented further changes to IAS 1;
- IVASS Regulation No. 29 of 27 January 2015, which implemented the IFRS 12 amendments relating to Disclosure of Interests in Other Entities;
- IVASS Regulation no. 53 of 6 December 2016, which implemented the changes to the Italian Legislative Decree No. 209 of 7 September 2005, (Private Insurance Code) by Italian Legislative Decree No. 74 of 12 May 2015, implementing Directive No. 2009/138/EC (Solvency II Directive).
- IVASS Regulation No. 121 of 7 June 2022, which amended and supplemented IVASS Regulation No. 7 of 13 July 2007 concerning the layouts for the financial statements of insurance and reinsurance undertakings required to adopt the international accounting standards referred to in Title VIII (Financial statements and accounting records), Chapter I (General provisions on financial statements), Chapter II (Annual financial statements), Chapter III (Consolidated financial statements) and Chapter V (Statutory Audit) of Italian Legislative Decree No. 209 of 7 September 2005 – Private insurance code

The Half-Yearly consolidated financial statements are accompanied by the Balance Sheet, Income Statement, Other Comprehensive Income, Statement of Changes in Equity and Cash-Flow Statement, and IVASS statement annexes attached to the Report.

Additionally, fully detailed tables are also included for further clarity's sake.

This disclosure also takes into account the specific provisions of the Private Insurance Code, as amended by Italian Legislative Decree No. 74/2015. The assessment and classification criteria are reported in the Notes to the Financial Statements.

The amounts are expressed in thousands of Euros in the Management Report and the Notes to the Financial Statements; however, in the financial statements and the annexes to the notes, the amounts are expressed in Euros.

## Structure of the Group

The Net Insurance Group, registered at No. 023 on the Register of Insurance Groups, operates exclusively in the insurance sector: through the Parent Company Net Insurance S.p.A. in the Non-Life business and the subsidiary Net Insurance Life S.p.A. in the Life business.

The parent company is the sole shareholder of the subsidiary and therefore fully controls and manages the subsidiary.

## Scope of consolidation

Net Insurance S.p.A. owns 100% of Net Insurance Life S.p.A., which is therefore fully consolidated.

## Business Plan of the Net Insurance Group

The 2022-2025 Business Plan of the Net Insurance Group, approved by the Boards of Directors of the Group companies on 22 June 2022, was presented to the financial community at the headquarters of the Italian Stock Exchange on 23 June, reconfirming the strategy underlying the previous 2019-2023 Business Plan.

The new 2022-2025 Business Plan follows a line of continuity with the previous 2019-2023 Business Plan which, in turn, carried forward the industrial mission and the business model developed by Archimede during the business combination.

The previous Business Plan was in fact based on the following four strategic pillars:

(i) enhancement of the "historical" Salary-backed loan *segment* where the Net Insurance Group is strongly positioned;

(ii) development of the Non-Motor Non-Life Insurance *segment* and, in general, of the *Protection* segment dedicated to Individuals, Families and Small-Medium Enterprises (including agricultural risks);

(iii) development of the Non-Life broker retail segment; and

(iv) activation of digital platforms.

In view of the evolution of the Net Insurance Group's positioning within the competitive environment thanks to the achievement of the results expected for the three-year period 2019-2021, the Net Insurance Group deemed it appropriate to approve a new Business Plan, as a continuation of the previous one and with the will to embrace change and to focus - even more - on the needs of policyholders.

The Plan was drawn up with the aim of maintaining an increasing and sustainable level of profitability over time, leveraging on a multi-specialist business model, divided into the following strategic pillars:

(i) dynamic balance between growth, capital strength and shareholder remuneration, in order to maintain high levels of capital strength (*Solvency Capital Ratio* or "*SCR*"), support current rating levels and ensure an attractive dividend level;

(ii) consolidation of the Net Group's position as leader in the Salary-backed loan segment by maintaining the share of wallet acquired with its main partners and increasing its presence with the other players based on a smaller share;

(iii) transition from start-up to scale-up in the Bancassurance segment to become a market leader in local banks, through the consolidation of distribution agreements with major Bancassurance partners on CPI and protection as well as the development of new distribution agreements with local banks;

(iv) development of the Broker segment with a strongly digital-oriented approach and a strong focus on the Suretyship business and Agro products;

(v) consolidation of an efficient and digital operating scale organisation ensuring strong customisation of service to partners; and

(vi) evolution of the business and operating model towards ESG best practices, through the continuous promotion of a sustainable business model, aimed at meeting the needs of the present without compromising the ability of future generations to meet their own requirements.

The 2022-2025 Business Plan of the Group provides for the following:

- **gross premiums written** for 169 million Euros in 2022; 191 million Euros in 2023; 221 million Euros in 2024 and 252 million Euros in 2025;
- **ordinary expenses** of 23.1 million Euros in 2022, rising to 26 million Euros in 2023, to 28 million Euros in 2024 and landing at around 29 million Euros in 2025;

- a **Combined Ratio** from 87% expected by the end of 2022 to 86% in 2023, to 84% in 2024 and 82% in 2025;
- a **financial operations** result that grows progressively until it reaches 5.2 million Euros in 2025; in fact, starting from 2.5 million Euros in 2022 it would increase to 3.7 million Euros in 2023 and to 4.5 million Euros in 2024;
- a **normalised profit**[5] that rises from an expected level of about 13.6 million Euros in 2022 to 15.8 million Euros in 2023, to 19.3 million Euros in 2024 and to 25.9 million Euros in 2025 with a **RoE** at full operation at approximately 19%.
- a Solvency Ratio around 175% in 2025, thanks to the generation of capital from business activities and the prudent dividend policy. There are no capital increases. The amount of **dividends** paid is expected to grow due to the increase in profit, with a constant payout ratio over the period of the Plan; dividends are expected to be paid out to shareholders in an amount equal to 30% of the lower of consolidated net profit and the Group's normalised net profit.

The Business Plan also provides for a significant strengthening of the operating organisation with the entry of new resources during the Plan period, the creation of a Value Pool dedicated to talent retention and a new "extended" stock option plan.

For more detailed information on the Business Plan, please refer to its presentation, made available on the corporate website in the Investor Relations[6] section.

The Business Plan was prepared by the Group on the basis of accounting standards consistent with those used for the preparation of the consolidated financial statements for the year ended 31 December 2021, without, therefore, taking into account the effects of the introduction of IFRS 17 and IFRS 9 as of 1 January 2023. However, according to the company, the 2025 net profit under the new accounting standards should not deviate significantly from the net profit figure in the plan, assuming the same underlying assumptions.

## Macroeconomic and Market Scenarios

In the first half of 2022, the Russian invasion of Ukraine greatly worsened the prospects for economic growth, particularly in Europe.

The war brought about a new upward push in the prices of raw materials, especially energy, accentuating and prolonging the global inflationary pressures, generated in the previous months by

[5] Normalised figure is net of non-recurrent charges and revenues, therefore linked to events of an extraordinary nature;

[6] **See the link https://www.netinsurance.it/investor-relations/presentazioni/roadshow/**

the well-known problems related to the post-pandemic reopening. The slowdown in the growth of international demand (international trade fell by 2.5% in March 2022 compared to the same period last year) was also contributed to by sanctions against Russia, tensions over gas transportation and the new Chinese lockdown.

US GDP in the first quarter of 2022 recorded an increase of +3.5% compared to the same quarter of the previous year; if analysed compared to the fourth quarter of 2021, the GDP instead shows a decrease of -1.6% compared to the end of 2021. US growth decelerated due to the most powerful 12-month inflationary surge since November 1981, which brought the inflation rate to 8.6% in March 2022 and then to 9.1% in June 2022. Such an environment could bring US economic growth to around 2%-2.5% at the end of 2022 compared to the 4% forecast by the International Monetary Fund at the beginning of the year.

The GDP, in the first quarter of 2022, of the euro area recorded an increase equal to +5.4% when compared with the same quarter of the previous year and equal to +0.6% when compared with the fourth quarter of 2021. Inflation in the euro area reached 7.4% in April 2022; in June, the unprecedented level of 8.6% was then recorded: the energy component impacted inflation growth by about 50%, as the energy sector recorded an increase on an annual basis, in June 2022, by 41.9% The "food" component (aggravated by the Russia/Ukraine conflict) has also exacerbated inflationary tensions. For the Eurozone, the main recipient of the negative economic repercussions deriving from the current geopolitical crisis, growth expectations for 2022 have currently been downsized to 2.3% compared to the 3.9% forecast by the International Monetary Fund at the beginning of the year.

Finally, in Italy the gross domestic product increased by +6.3% in March 2022 compared to the same month of the previous year and by +0.1% compared to the fourth quarter of 2021. GDP was affected by an increase in added value in the agriculture, forestry and fishing sectors, a reduction in the services sector and a stagnation in industry. Average inflation in Italy in the period from June 2021 to June 2022 was around 8%; the average inflation rate in the period January-June 2022 is instead equal to 6.3%. In Italy, the growth expectations for 2022, revised in June by the Bank of Italy, forecast a reduction from 3.8% to 2.6%.

In this environment, the central banks, also in order to stem the sudden rise in prices, anticipated those "normalisation" processes of expansive monetary policies that have long been pursued. First of all, "tapering" policies were initiated for purchases made on the bond markets and the reference rates were raised.

The Federal Reserve has already implemented large interest rate hikes in the first half of the year, justifying the choice by the historically high level of inflation and the sharp drop in the unemployment rate. Between March and June, the FED raised the target range of the federal funds rate from 0.25%-0.50% to 1.5%-1.75% and did not rule out further increases in the meeting. The FED also announced a plan to reduce its balance sheet: after having exhausted its net purchases of securities in March, it then started in June to stop reinvesting maturing securities up to 30 billion Dollars in Treasury securities and 17.5 billion Dollars in debt and mortgage-backed securities. The Central Bank also made it clear that it will maintain ample reserves of securities in its portfolio to effectively manage monetary policy in an environment of high liquidity demand from banks.

The Bank of England also raised the interest rate, bringing it to 0.75% in March and subsequently to 1.25% and at the same time stopped reinvesting the maturing securities in its balance sheet. In Japan, monetary policy remains expansionary and in China, where price growth remains contained, a moderately accommodative monetary stance is maintained to counter the slowdown in activity.

Since last March, the Governing Council of the ECB, estimating significant repercussions on economic activity and inflation due to the Russian-Ukrainian conflict, forecast the adoption of measures necessary to guarantee price stability, including raising interest rates. In June, the Central Bank in fact announced the start of a path to raise rates, initially presented as "gradual but sustained", with an initial forecast of a 0.25% increase to be implemented in July 2022, but which then settled at 0.5%, according to the meeting of 21 July.

The increase concerned all the reference rates: the rate on the main refinancing transactions in fact rose to 0.50%, the rate on marginal operations to 0.75% and the rate on deposits to zero. The Governing Council deemed it appropriate to take a broader first step in the normalisation of key interest rates than it had indicated at its previous meeting, in order to support the return of inflation to the primary medium-term objective of 2%. With reference to the subsequent increases, the Central Bank did not provide any advances, reiterating that future increases will be calibrated, in terms of size and timing, on the basis of macro data and medium-term inflation targets. Moreover, the ECB, after announcing in June the conclusion on 1 July of the APP (Asset Purchase Programme) and the continuation of the reinvestment of maturing securities from the PEPP (Pandemic Emergency Purchase Programme) until at least 2024, approved at its meeting held in July the new instrument against the fragmentation and widening of spreads between government bonds in the euro area: the "Transmission Protection Instrument (TPI)". This instrument can be activated in order to counter unjustified and disordered market dynamics that could seriously jeopardise the transmission of monetary policy. Purchases of securities in the service of the TPI Programme will depend on the severity of the risks for the transmission of monetary policy and this programme will work alongside

PEPP, which will remain the first line of defence aimed at countering the risks associated with the pandemic.

In this environment, equity markets showed strong downward movements. Compared to the closing as at 31 December 2021, the MSCI All Country World Index decreased by 14%. In the USA, the S&P 500 index lost 13.7% and the Nasdaq index 23%; in the Eurozone, the Paris stock exchange (CAC 40) fell by 17%, the German DAX market decreased by 19.5%, the Madrid stock exchange (Ibex 35) by 7%. The Eurostoxx 50 fell by 19.6%. In Asia, Japan's Nikkei 225 index was down by 16% and the Shanghai/Shenzhen CSI 300 index reported a loss of 6.4%. With specific reference to the Italian market, the Ftse Mib index was down by 22%, with the index for the Star segment down by 29% and the Italia Growth (ex AIM) index down by 20.5%.

The bond segment saw the continuation of a gradual increase in yields across all maturities and segments (both in credit, investment grade and high yield, and in government bonds), which began as early as the end of 2021 as a result of inflationary pressures and monetary policy "normalisation" measures announced and/or initiated by Central Banks. In June, mainly as a result of the announcements of rate hikes by the ECB, there was also a progressive increase in volatility for government bonds with an increase in spreads throughout the Eurozone.
The German ten-year bond reported a negative yield of 1.3% as at 30 June 2022 (from a negative yield of -0.19% at the end of 2021); the French ten-year bond yielded 1.9% (from a yield of 0.19% at the end of 2021); the Spanish ten-year reached a yield of 2.4% (from a yield of 0.56% at the end of 2021); finally, the yield of the Italian ten-year BTP rose from 1.17% at the end of 2021 to 3.2% in June 2022. The French ten-year spread went from around 38 bps as at 31 December 2021 to around 56 bps as at 30 June 2022 and the Spanish 10-year spread reached around 127 bps compared to 78 bps as at 31 December 2021. Finally, the Italian 10-year spread with respect to the German Bund was around 202 bps as at 30 June 2022, compared to around 134 bps as at 31 December 2021. With specific reference to the Italian situation, the spread against the German ten-year bond increased further, reaching levels around 240 bps after the resignation of President Draghi, which will be followed by new political elections by the end of September 2022.

Among commodities, energy products recorded sustained price increases, with Brent crude reaching a price of 114.97 Dollars per barrel as at 30 June 2022, up from 77.8 Dollars as at 31 December 2021.
With regard to currencies, the marked depreciation of the euro against the dollar was particularly noted reflecting the relatively more restrictive monetary policy in the United States. The Euro/Dollar exchange rate reached parity in July 2022, marking the lowest since the end of 2002.

## Insurance market

At the end of the first quarter of 2022[7] the total premiums (Italian companies and agencies) of the Italian direct portfolio in the non-life sector amounted to 10.0 billion, an increase of 5.1% compared to the end of the first quarter of 2021, when the sector recorded a growth of 1.3% after the first quarter of 2020 was negatively affected by the lockdown put in place to contain the spread of the pandemic. This is the fifth consecutive positive interim change that has led premium income to exceed 10 billion for the first time at the end of the first quarter of the year. The increase in total non-life premiums recorded at the end of the first quarter of 2022 is attributable, in particular, to the recovery in the Non-Motor sector (+9.7%, the highest change ever recorded); on the other hand, premiums in the Motor sector continued to decline by approximately 1%.

The increase on an annual basis recorded for the total non-life premiums in the first three months of 2022 (compared to the same period of 2021) is the consequence of:

- a 1.1% decrease in the Motor sector following the 1.4% decline recorded at the end of the first quarter of 2021;
- a sustained growth in the other non-life classes, whose premiums marked a change of almost +10%, the highest value ever, 6 percentage points higher than in the first 3 months of 2021 when the sector grew by 3.5%. All the main insurance classes contributed to the recovery: the Accident and Illness classes, with a premium volume of 998 million Euros each, grew respectively by 5.3% and 9.5%, the Fire class with 687 million Euros by 5.9 %, the Other damage to property class with 865 million Euros by 5.0% and finally the general civil liability class with a growth of 14.9% and a volume (the highest among the other non-life classes) of 1,308 million Euros. Although with a limited weight on the total of the non-motor non-life business, there was growth in the credit (+26%) and suretyship (+9.3%) sectors whose premiums were commensurate with companies' turnover and the cyclical economic phase.

With regard to Italian and non-EU companies, the main form of intermediation in terms of market share is confirmed to be the agency distribution channel (72.0%), in line with what was recorded at the end of the first quarter of 2021 (71.7%). In particular, the classes in which the agency channel is more developed are Marine vehicles liability (94.4%), Motor Liability (84.7%), Other damage to property (80.8%), General Civil Liability (79.0%), Suretyship (76.6%), Legal protection (76.1%), and Assistance (75.6%).

[7] Source: Ania Trends trimestrali Anno VIII – no. 29 May 2022 (Non-life)

The broker channel represents the second largest distribution channel for non-life premiums with a share of 9.4%. In addition to those already mentioned, the segments in which brokers' intermediation is very significant are Freight Transport (48.0%), Rail Vehicle Hulls (31.9%), Credit (29.0%), and Suretyship (20.8%). It should be noted, however, that the market share of brokers is underestimated, as it does not take into account an important part of premiums (estimated for total non-life in 2020 at 24.8 percentage points) that these intermediaries collect but submit to agencies and not directly to companies. Bank branches, with a market share of 9.0% (8.0% at the end of March 2021), continue to represent a growing distribution channel; they have been most involved in the marketing of Financial loss (43.2%) and Accident and injury (19.4%) premiums. However, they also play an important (and growing) role in the Illness (16.0%), Fire (14.5%) and Legal Protection (12.1%) classes. Direct sales as a whole (including distance sales, telephone and Internet) at the end of March 2022 accounted for 9.2% (down from 10.2% at the end of March 2021).

With regard to the Life sector[8], considering the new individual and collective life insurance policies taken out by Italian and non-EU companies jointly, in the first quarter of the year total premium income was recorded equal to 22.2 billion Euros (of which 96% relating to individual policies), down by 11.1% compared to the same quarter of 2021.

Regarding the type of products marketed in relation to the Italian and non-EU companies, in the first three months of 2022, class I policies recorded premiums of 13.6 billion Euros and a decrease of 11.8% compared to the same period of the previous year, accounting for 61% of total premiums written.

The trend of the new capitalisation contracts (class V) was negative which, against an amount of 286 million Euros, recorded a decrease of 1.6% compared to the first quarter of 2021, despite the significant increase recorded by collective policies.

New premiums from pure risk business, of which 52% related to group policies, amounting to 1.7% of total new business, increased (+11.1%) compared to the first quarter of 2021, to 386 million Euros.

## Main performance highlights and management information

**The Group's half-year result** amounted to **5,887 thousand Euros** (compared to a profit of 7,236 thousand Euros in the previous year's half-yearly report) and corresponds to 7,889 thousand Euros before tax (gross profit of 7,259 thousand Euros in the previous year's half-yearly report).

**The year-on-year ROE as at 30 June 2022** compared to the profit for the period was **15%**, and **15.34%** compared to normalised profit.

[8] Source: Ania Trends trimestrali Anno VIII – no. 3 May 2022 (Life)

**The CoR net of reinsurance** is **69%,** while **the CoR gross of reinsurance** is **93%**.

The result as at 30 June 2022 was also affected by some non-recurring elements including, in particular, the legal costs for the recovery of stolen amounts and for liability actions.

**The net normalised result**, i.e. adjusted for the effect of non-recurring items, amounted to **6,018 thousand Euros.**

Equity decreased from 88,776 thousand Euros as at 31 December 2021, to 78,378 thousand Euros in the first half of 2022, with a depreciation of 13% solely attributable to the performance of financial operations.

Investments amounting to 210,050 thousand Euros (+4.3% compared to 2021) refers exclusively to investments with risk borne by the Group.

## Accounting standards to be applied soon: ESMA information

The European Securities and Markets Authority (ESMA) with the ESMA Public Statement 32-339-208 document "Transparency on implementation of IFRS 17 Insurance Contracts" requested issuing companies to provide some information in the 2022 half-yearly and annual financial reports in relation to impact of the new application of IFRS 17 – Insurance contract.

The Group is currently in the process of implementing the new standards, for which the quantitative information relating to the impacts is being processed.

The accounting standard IFRS 17 (effective from 1 January 2023 with the need to prepare 2022 comparative data) changes the way insurance contracts are recognised and their disclosure in the income statement, which switches from a presentation of gross costs and revenues (in terms of claims received and premiums written) to one by estimated economic margin of the contracts.

The representation of obligations to policyholders also undergoes changes because long-term factors, including the time value of money (i.e. discounting of reserves) and the effect of assumptions related to financial and insurance risk, are taken into account, which changes the valuation of technical provisions.

Below are the quantitative methodological choices that were consolidated at the date of the report:

- portfolio aggregation level: IFRS 17 provides that all insurance contracts falling within the scope of application are aggregated into homogeneous groups defined as Units of Account. The Unit of Account represents the new accounting unit of measurement and recognition, consisting of the set of contracts belonging to the same portfolio, with the same year of issue (cohort) and with the same level of profitability/interest rate. For the purpose of constructing the Units of Account, a quantitative analysis, based on materiality thresholds, was combined with a qualitative analysis of the contracts in the portfolio. By way of example, the following elements were taken into consideration: insured object (goods, persons, companies), guarantees offered, scope of risks/products covered by the different reinsurance treaties. The granularity required for the identification of all IFRS 17 quantities and the consequent preparation of the Unit of Account is the policy for the business life and the guarantee for the non-life business.

- cost allocation: according to IFRS 17, for the purpose of determining the Contractual Service Margin, expenses directly attributable to the insurance contract must be included and can be classified as acquisition expenses (cash flows from selling, underwriting and initialisation costs of groups of insurance contracts), administration and maintenance expenses (expenses incurred in the management of policies) and settlement expenses (expenses incurred in the management of claims). For the purpose of allocating IFRS 17 chargeable expenses, the following drivers were identified: the volume of premiums written net of commissions for acquisition expenses, the average number of active policies in the portfolio for administration expenses, the volume of claims paid for non-life business settlement expenses and the number of claims paid for life business.
- In addition to the expenses explicitly excluded by the legislation from the calculation of the Contractual Service Margin (financial operation expenses, training expenses, product development expenses), the Group established to also exclude the following types of expenses from the perimeter of pertinent expenses: advertising costs, costs of corporate bodies, audit/tax costs, administrative personnel costs, software finance costs, investor relations costs and real estate management costs.
- discount curve used: the discounting of cash flows for the purpose of determining the Contractual Service Margin takes place through the use of a risk-free discount curve indicated by EIOPA with the possible addition of a volatility spread (so-called Volatility adjustment). The EIOPA risk-free curve is provided for annual claim duration; therefore, it will be linearly interpolated to adjust for the monthly projection rate of the actuarial and accounting models.
- approach to determining non-financial risk: IFRS 17 requires an adjustment to be applied to the present value of future cash-flows to reflect the uncertainty in the amount and timing of non-financial risk. The standard does not require specific methodologies for determining the risk adjustment. The Company decided to adopt the percentile method for measuring the risk adjustment based on the Solvency II LoBs, thus capturing the risk profile of the individual LoBs.

The risk adjustment thus calculated is then reallocated to the single Unit of Account on the basis of the Present Value of Future Cash Flows driver of the Unit of Account belonging to the single LoB. The adoption of the percentile approach reduces the disclosure requirements, and the company does not need further analysis as the disclosure required by the standard is automatically made.

- defined and applied measurement models: the group has defined the Building Block Approach (BBA) as a measurement model, a general model that is based on the current, discounted, weighted and adjusted value for a risk factor of the cash flows related to a contract insurance, and which provides for the suspension of the expected profit (Contractual Service Margin) at the time of signing the contract. This model was chosen because it is the most relevant to the Company's business, as the products offered are characterised by multi-year durations and do not involve direct profit sharing.
- transition model: to apply IFRS 17 on the transition date, the Company adopts the Fair Value approach. Under this approach, all valuations are made at the transition date and the standard allows the Contractual Service Margin or Loss Component of Liabilities for Remaining Coverage to be calculated as the difference between the Fair Value of the group of insurance contracts and the Fulfilment Cash Flow at that date. With the Fair Value method, the company cannot build separate cohorts if it does not have reasonable information that allows it to be divided, and must determine at the transition date the discount curve to be used for discounting cash flows.

With respect to the adoption of the new accounting standard, it should be noted that the implementation project is obviously in progress, so the conversions of accounting and balance sheet values according to the new standards cannot yet be considered stabilised.

## Business Organisation

The breakdown as at 30 June 2022 of the Group's sales network, which is mainly based on bancassurance agreements and, on a complementary basis, on brokerage agreements and agency mandates (generally underwriting agencies), is shown below.

Table No. 1 – Business organisation

| | |
|---|---|
| Insurance Intermediaries registered in the R.U.I. Section A (Agencies) | 10 |
| Insurance Intermediaries registered in the R.U.I. Section B (Brokers) | 52 |
| Insurance Intermediaries registered in the R.U.I. Section D (Banks and Financial Intermediaries) | 21 |
| Subjects registered in the Intermediaries Registry of the EU (*) | 2 |

(*) CBP Italia; Bolttech Digital Brokerage

As it is known, the Group does not carry out, nor does it intend to carry out, a direct distribution with an agency network under its brand.

## Research and development activities - new products

During the first half of 2022, the Group continued the process for the innovation of its product catalogue, both through the introduction of new insurance solutions and through the revision of existing products; this was done with the aim of making the Group's insurance product offer - already distinctive, innovative and customised in terms of internal features - ever more:

- consistent with the business model outlined in the Group's Business Plan,
- responsive to market dynamics,
- fully compliant with the sector regulations.

The marketing of insurance products, carried out in the first half of 2022, reported new premium income made up of around 60% from covers linked to loans repayable by salary/pension assignment, 23% from hail coverage and the remaining 17%, with now significant growth volumes, mainly from the bancassurance segment.

As part of the Salary-backed loan segment, during the first half of 2022:

- new premium income consists of 61% of Life premiums and the remaining 39% of Credit premiums;
- interventions were made in the area of underwriting in both the Pensioners and Employee segments. These measures, effective as of 1 September, are aimed at strengthening the industrial balance and profitability of these segments.

As regards the products distributed through the bank and broker channels, including digital ones, the following are the new products whose marketing began in the first half of 2022, broken down by distribution channel.

## BANCASSURANCE

### Cassa di Risparmio di Bolzano S.p.A.

- Protection PET: product for the protection of dogs/cats, with guarantees: reimbursement of veterinary expenses.
- Protection (4.0): implementation of the Life and Non-Life multi-risk product (already in the catalogue) for the household, with coverage for: Term Life Insurance, Illness, Accident and Injury, Assistance, Financial Losses, General Civil Liability, Legal Protection, Fire, Other Damage to Property.

### Banco Desio e della Brianza S.p.A.

- Protezione PPI Mutuo – a Life and Non-life multi-risk protection product with a single upfront or recurring premium combined with a mortgage including coverage for: Term Life Insurance, Total Permanent Disability due to Accident and Injury/Illness, Total Temporary Disability due to Accident and Injury/Illness, Loss of Employment.

### Cassa di Volterra S.p.A.

- CPI Mutui Privati: Life and Non-Life multi-risk Credit Protection product with a single upfront or recurring premium combined with a mortgage, including coverage for: Term Life Insurance, Total Permanent Disability due to Accident and Injury/Illness, Total Temporary Disability due to Accident and Injury/Illness, Loss of Employment.

### Banca Popolare Pugliese S.c.p.A.

- NET CPI Prestiti: Life and Non-Life multi-risk Credit Protection product with a single upfront premium combined with a personal loan, including coverage for: Term Life Insurance, Total Permanent Disability due to Accident and Injury/Illness, Total Temporary Disability due to Accident and Injury/Illness, Loss of Employment.

### Banca di Piacenza S.c.p.A.

- NET K-Man: Life and Non-Life multi-risk product, with recurring premiums, with coverage for: Term Life Insurance, Total Permanent Invalidity from Accident and Injury/Illness, Assistance (the policyholder is the key-man of the company).

- NET LTC: Life product, bearing Long Term Care (class IV) and Term Life Insurance (class I) coverage.

## Banca Antonio Capasso S.p.A. (IBL Banca Group)

- AssiAgricoltura: Non-Life multi-risk product for the farm, with coverage for: Fire, Other Damage to Property, General Civil Liability, Legal Protection, Accident and Injury.
- CasaSicura: Non-Life multi-risk product for the home, with coverage against: Fire, Other Damage to Property, General Civil Liability, Legal Protection. The product includes coverage for "CAT" (earthquake and flood) events.
- AssiInfortuni: multi-risk product for the family, including Accident/Injury and Assistance coverage.
- AssiCapoFamiglia: Non-Life multi-risk product for the family with coverage for: General Civil Liability and Legal Protection.
- AssiSalute: medical expenses reimbursement product for the family.
- AssiMutuoIPO: Fire product combined with a mortgage loan.

## Banca Popolare di Santangelo S.c.p.A.

- Net Artigianato: Non-Life multi-risk product for the SMEs, with coverage for: Fire, Other Damage to Property, General Civil Liability, Legal Protection.
- Net Commercio: Non-Life multi-risk product for traders with coverage for: Fire, Other Damage to Property, General Civil Liability, Legal Protection.
- Net Casa: Non-Life multi-risk product for the household, with coverage for: Fire, Other Damage to Property, General Civil Liability, Legal Protection. The product includes coverage for "CAT" (earthquake and flood) events.
- Net K-Man: Life and Non-Life multi-risk product, with recurring premiums, with coverage for: Term Life Insurance, Total Permanent Invalidity from Accident and Injury/Illness, Assistance (the policyholder is the key-man of the company);
- NET RC e Tutela Legale: Non-life multi-risk product for the protection of family assets, with coverage for: General Civil Liability and Legal Protection.
- NET LTC: Life product, bearing Long Term Care (class IV) and Term Life Insurance (class I) coverage.
- NET CPI Business: Life and Non-Life multi-risk Credit Protection product with single premium upfront or recurring combined with a mortgage, with coverage for: Term Life Insurance, Total Permanent Invalidity from Accident and Injury/Illness (the policyholder is the company key-man).

## BANCA POPOLARE VALCONCA S.p.A.

- Net Protection LTC: Life multi-risk product, bearing Long Term Care (class IV) and TCM (class I) coverage.

## FIGENPA S.p.A.

- Segui il Sorriso: Illness product, with coverage for reimbursement of dental expenses.
- Segui il Tuo Amico: Non-life multi-risk product for the protection of dogs/cats, with coverage for: reimbursement of veterinary expenses, General Civil Liability, Legal Protection and Assistance.
- Segui la Serietà: Non-Life multi-risk product for the protection of family assets, with coverage for: General Civil Liability and Legal Protection.
- Segui la Tranquillità: Life and Non-Life multi-risk Credit Protection product with a single upfront premium combined with a loan, with coverage for: Term Life Insurance, Total Permanent Disability due to Accident and Injury/Illness, Total Temporary Disability due to Accident and Injury/Illness, Loss of Employment.
- Segui la Strada: Non-life product, with Accident and Injury coverage.
- Segui il Futuro: Life and Non-Life multi-risk product, with recurring premiums, with coverage for: Term Life Insurance, Total Permanent Invalidity from Accident and Injury/Illness, Assistance.

## BROKER / AGENTS

Launch of the 2022 summer campaign for the risks of adverse weather conditions for agricultural production.

## INSURTECH & DIGITAL

## ALL Well S.r.l.

- ALL WELL and ALL WELL EXECUTIVE: Illness products, with coverage for reimbursement of medical expenses.

## YOLO S.r.l.

- ENDU SAFE: Accident and Injury product referring to amateur sporting events.

## TIM myBroker.

- TIM myPET: Non-life multi-risk product for the protection of dogs/cats, with coverage for: reimbursement of veterinary expenses, General Civil Liability, Legal Protection and Assistance.

## COVERZEN S.r.l.

- Artigianato ZEN: Non-Life multi-risk product for the SMEs, with coverage for: Fire, Other Damage to Property, General Civil Liability, Legal Protection.
- PMI Zen: Non-Life multi-risk product for traders with coverage for: Fire, Other Damage to Property, General Civil Liability, Legal Protection.

## PERFORMANCE

The main trends of the year, compared with the first half of 2021, are summarised below:

**Table No. 2 – Reclassified income statement**

Thousands of Euro

| Reclassified income statement | June 2022 | June 2021 | Change |
|---|---|---|---|
| Gross premiums earned | 78,711 | 65,318 | 13,393 |
| Net premiums | 32,361 | 28,550 | 3,811 |
| Gross expenses from claims and changes in provisions | 52,588 | 40,920 | 11,668 |
| Net claim expenses | 20,230 | 16,393 | 3,836 |
| Net investment income | 1,025 | 1,789 | (764) |
| Operating expenses gross of commissions received from rein | 22,372 | 18,765 | 3,608 |
| Commissions received from reinsurers | 17,634 | 13,101 | 4,533 |
| Other revenues | 1,741 | 2,031 | (290) |
| Other costs | 2,270 | 3,055 | (785) |
| **Gross profit in Income Statement** | **7,889** | **7,259** | **630** |
| Taxes | 2,002 | 23 | 1,979 |
| **Net profit in Income Statement** | **5,887** | **7,236** | **(1,349)** |
| | | | |
| *Normalised Profit* | *6,018* | *7,609* | *(1,591)* |

Gross earned premiums, i.e. premiums written, net of unearned premiums, amounted to 78,711 thousand Euros, up 20.50% compared to the previous year.

The investment result was a positive 1,025 thousand Euros, a decrease of 764 thousand Euros compared to the figure as at 30 June 2021.

Operating expenses, gross of commissions received from reinsurers, amounted to 22,372 thousand Euros, marking an increase of 3,608 thousand Euros compared to the same period of the previous year.

Commissions received from reinsurers increased by 35% compared to 2021, due to the combined effect of reinsurance commissions received from the parent company and the subsidiary.

Other revenues amounted to 1,741 thousand Euros (2,031 thousand Euros in 2021) and consisted of income arising from insurance technical management activities, income from claim management services carried out by the Parent Company on behalf of other companies, and from extraordinary income. In particular, other income includes the positive effect of the assignment of a portfolio of irrecoverable loans, deriving from salary-backed loan contracts, for 977 thousand Euros (3.2% of the loan portfolio sold). A similar transaction was concluded in the first half of the previous year with a positive effect of 1,087 thousand Euros (2.9% of the loan portfolio sold).

Other costs, amounting to 2,270 thousand Euros (3,055 thousand Euros in 2021), consisted mainly of costs incurred for interest on subordinated loan, other technical charges relating to cancellations of premiums from previous years, depreciation/amortisation of tangible and intangible assets as well as extraordinary expenses.

Taxes for the period have a total negative impact of 2,002 thousand Euros on pre-tax profit, with an incidence rate of 25%, up from the previous half-year figure, since the latter was affected by the recognition of deferred taxes related to the brand revaluation process.

## ASSETS/LIABILITIES AND FINANCIAL POSITION

The assets and liabilities for the year, compared with the same figure as at 31 December 2021, can be summarised as follows:

**Table No. 3 – Reclassified balance sheet**

Thousands of Euro

| Reclassified Balance sheet | June 2022 | December 2021 | Change |
|---|---|---|---|
| Intangible assets | 7,491 | 6,147 | 1,344 |
| Tangible assets | 15,225 | 15,306 | (81) |
| Investments | 210,050 | 201,460 | 8,590 |
| Other asset items | 126,167 | 97,104 | 29,063 |
| Reinsurance Technical Reserves | 237,511 | 213,649 | 23,862 |
| Technical Reserves | (406,953) | (362,106) | (44,847) |
| Financial Liabilities | (17,027) | (17,019) | (8) |
| Other liability items | (94,086) | (65,765) | (28,321) |
| **Equity** | **78,378** | **88,776** | **(10,398)** |

Intangible assets amounted to 7,491 thousand Euros and mainly referred to investments in management software and software customisation and investments in rights and licenses.

Financial investments, classified as "available-for-sale financial assets", totalled 210,050 thousand Euros as at 30 June 2022, with an overall increase of 4.3% compared to the previous year.

Technical commitments, represented by gross technical provisions, increased from 362,106 thousand Euros in the year 2021 to 406,953 thousand Euros in the current year, while technical reserves attributable to reinsurers increased by 23,862 thousand Euros from 213,649 thousand Euros to 237,511 thousand Euros.

Other assets amounted to 126,167 thousand Euros and increased by 30% compared to the previous year. This item includes:

- Receivables deriving from insurance and reinsurance transactions for 81,022 thousand Euros.
- Deferred and current tax assets deriving from the time lag of the taxes in the financial statements amounting to 14,697 thousand Euros and the valuation differences in the application of IAS/IFRS compared to those applied (OIC) for the preparation of the financial statements on a statutory basis;
- cash and cash equivalents of 4,406 thousand Euros;
- Residual components are other receivables, deferred acquisition costs and other assets totalling 26,042 thousand Euros.

Other liabilities amounting to 94,086 thousand Euros increased by 43% compared to the previous year. This item includes:

- Payables deriving from insurance and reinsurance transactions for 66,760 thousand Euros.
- Tax liabilities of 8,369 thousand Euros, which are due to the tax effect of the valuation differences in the application of the IAS/IFRS standards with respect to those applied (OIC) for the preparation of the statutory financial statements and to the IAS standards;
- residual components are other liabilities, provisions and other payables amounting to 18,957 thousand Euros.

## INSURANCE MANAGEMENT

### Evolution of Life and Non-Life Portfolios and Premium income

The trend in premium income confirms the NET Group's position as a leader in the Salary-backed loan segment and the Group's leading role in the bancassurance segment by offering products with new coverage and increasingly customised products to meet the needs of partners and customers.

The following tables show the evolution of gross premiums written of the individual segments (Table 4) and the composition of the portfolio (Table 5).

Table No. 4 – Evolution of gross premiums written by segment

Thousands of Euro

| Gross Premiums Written | 06-2022 | 06-2021 | Change |
|---|---|---|---|
| Accident and Injury | 5,147 | 3,817 | 1,331 |
| Illness | 1,260 | 762 | 498 |
| Fire | 1,341 | 949 | 392 |
| Other Damage to Property | 24,693 | 19,937 | 4,756 |
| General Civil Liability | 870 | 576 | 295 |
| Credit | 16,372 | 15,491 | 881 |
| Suretyship | 881 | 654 | 227 |
| Financial Losses | 906 | 681 | 225 |
| Legal Protection | 275 | 149 | 126 |
| Assistance | 201 | 100 | 101 |
| **Total Non-life segment** | **51,948** | **43,116** | **8,832** |
| Insurance on Life length - Class I | 44,762 | 36,023 | 8,739 |
| Insurance on Life length - Class IV | 189 | 0 | 189 |
| **Total Life segment** | **44,951** | **36,023** | **8,928** |
| **Total** | **96,899** | **79,139** | **17,760** |

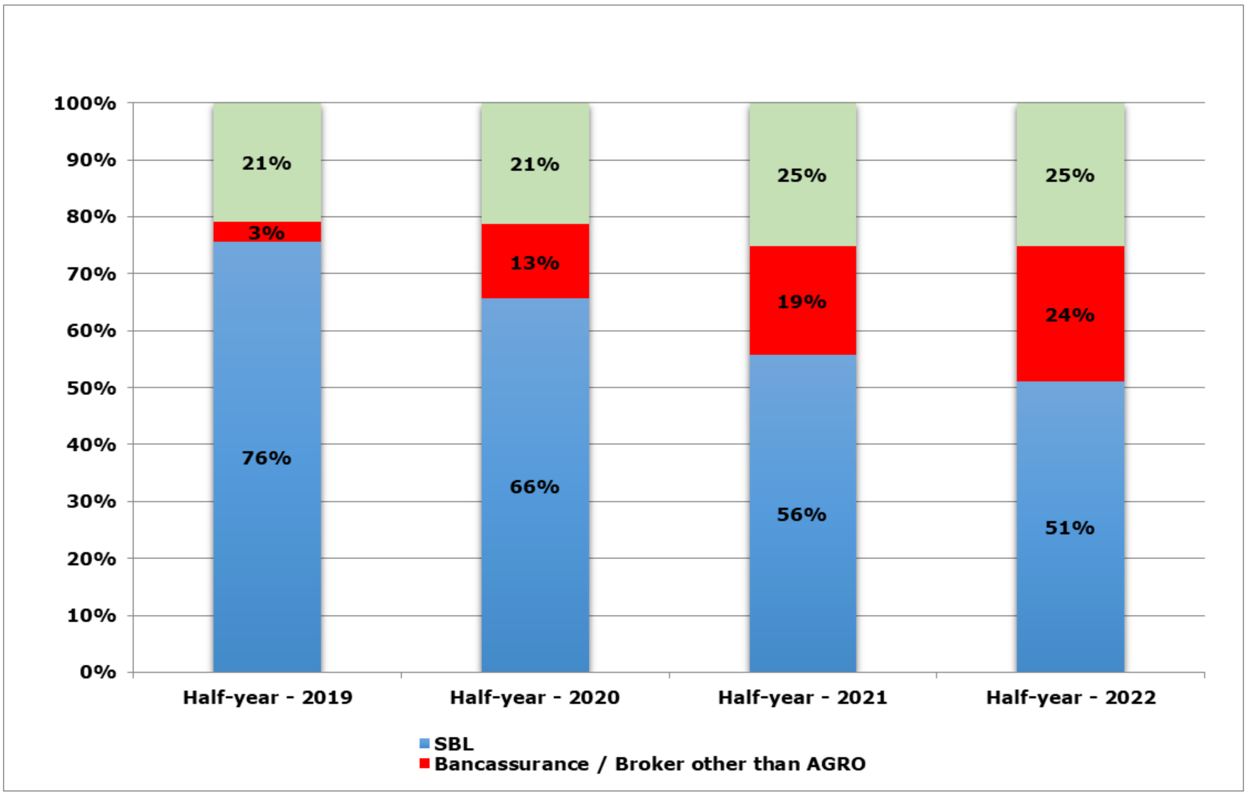
* The figures shown in the following tables refer to the direct business portfolio of the Group companies.

Gross premiums written recorded, compared to the same period of the previous year, an overall increase of 17,760 thousand Euros, i.e. 22%. In particular, for the Non-Life segment alone, the segments other than Other damage to property and Credit segment, i.e. those to which Bancassurance/Broker premium income flows (other than AGRO), saw premium income increase by 42% compared to the same period in 2021. The AGRO sector instead recorded an increase in premiums of 24% while for the Salary-backed loans, allocated to the Credit segment, there was an increase of 12% compared to the first half of 2021.

Gross premiums written for indirect segment, as at 30 June 2022, amounted to a negative 7 thousand Euros, due to the repayment of accrued premiums related to the salary-backed loans to which indirect premiums refer; as at 30 June 2021, the same item amounted to a negative 26 thousand Euros. These premiums relate to a run-off portfolio retroceded through an inward reinsurance treaty in 2014.

The graph below shows the percentage composition of the Group's gross written premiums, gross of indirect business, among the three macro-businesses (Salary-backed loans, Hail and Bancassurance/Broker) over the last four financial years.

Table No. 5 – Evolution of the business mix – Group gross premiums written (direct and indirect business)




The total premium income from Salary-backed loan segment, which increased by 12% compared to the same period of the previous year, shows, for this six-month period, a reduction in the weight of gross premiums written compared to the weight of the other segments (-5%, i.e. 56% to 51%). In terms of new premium written, it should be noted that the Salary-backed loan premiums, before the negative effect of premium refunds, had an increase in line with the 2021 Half-Year Report (10%), however premium refunds increased by 4% compared to the first half of 2021. Compared to the first half of 2021, the other segments see gross premiums written have increased and at the same time their percentage contribution to overall premiums is progressively increasing.

With regard to the Non-Life segment only from the first half of 2021 to the first half of 2022, against an overall growth of 21%, the marginal contribution between 30 June 2021 and 30 June 2022 to this growth of the individual segments is not homogeneous: Salary-backed loan +5%, Hail +22%, Bancassurance\Broker +47%. Against the positive performance in terms of production, the weight of bancassurance/broker goes from 18% in 2021 to 22% for the same period in 2022.

The amount of gross premiums recorded in the life segment alone is equal to 44,951 thousand Euros, an increase of 25% compared to the same period of the previous year. The policies underwritten refer almost exclusively to "term life insurance policy'', mainly of the individual and single-premium upfront type, 74% of which are linked to the salary-backed loan segment, and the remainder to "term life insurance policy" underlying products distributed through the bancassurance\broker channel, whose premiums increased by 62% compared to the first half of the previous year. The life segment of insurance policy combined with loans repayable through salary-backed loans or pension-backed loans, compared to the same period of the previous year, recorded an increase of 15%. Compared to the previous half-year, there was an increase in inflows, in class IV, related to the new Long Term Care segment, for which the Group received operating authorisation in the final months of 2020 and therefore started marketing in the first half of 2021. Gross premiums written as at 30 June 2022 for this segment amounted to 188 thousand Euros (in the portfolio of the previous year's half-yearly report the value of premiums was insignificant).

The Life business-mix, although heavily unbalanced on the salary-backed loan segment, sees the impact of the bancassurance segment increase from 20% reported in the first half of 2021 to 26% in the first half of 2022.

## Non-Life claims performance

The statements of claims reported, as shown in Table No. 6, were drafted using registration data from positions settled during the fiscal year, regardless of the accounting period and only with reference to the direct portfolio.

Table No. 6 – Claims reported - Non-Life Classes

| Segment | No. Claims 06-2022 | No. Claims 06-2021 | Change | % change |
|---|---|---|---|---|
| 09 – Other damage to property | 3,452 | 1,715 | 1,737 | 101.3% |
| 14 – Credit | 1,881 | 1,759 | 122 | 6.9% |
| 16 – Financial Losses | 312 | 24 | 288 | 1200.0% |
| – Other classes | 1,097 | 784 | 313 | 39.9% |
| **Total** | **6,742** | **4,282** | **2,460** | **57.4%** |

Over the first six months of the financial year 2022, the total number of claims recorded in the non-life segment increased by 57.4%: this increase was, however, affected by the increase reported in the other damage to property segment - hail class - and to a lesser extent in the Non-life segment. The number of open claims in the Hail segment is higher due to the effect of the higher premiums collected in 2022 for the so-called "summer campaigns" and to a higher estimate of expected claims reported by brokers following the adverse weather events that occurred in the first half of the year.

The increase in claims in the Non-Life and in the Financial Losses segments (to which one of the non-life coverage of the CPI is allocated) is entirely physiological and included in the 2022-2025 Business Plan estimates, in fact it relates to the growth, started in 2019, of the portfolio through the Bancassurance channel. Above all, the increase can be seen in the multi-coverage products marketed by Cassa di Risparmio di Bolzano and in the Digital segment (in particular, PET policies distributed by YOLO).

The number of claims in the credit segment, linked to the salary-backed loan, shows a contained increase of approximately 7% compared to the first half of 2021.

The amount of claims paid for direct business, broken down by the incurred period, is shown below:

### Table No. 7 – Claims paid per event generation

Thousands of Euro

| | 09 – ODP | 14 – Credit | 16 – Financial losses | – Other segments | Total |
|---|---|---|---|---|---|
| 06-2022 - current year | 2,639 | 718 | 13 | 328 | **3,698** |
| 06-2022 - previous year | 2,610 | 8,796 | 56 | 537 | **11,999** |
| **06-2022 - Total** | **5,249** | **9,514** | **69** | **865** | **15,697** |
| 06-2021 - current year | 3,124 | 421 | 5 | 204 | **3,754** |
| 06-2021 - previous year | 1,208 | 8,900 | 91 | 536 | **10,735** |
| **06-2021 - total** | **4,332** | **9,321** | **96** | **740** | **14,489** |
| **% Change in gross settled claims** | **21.2%** | **2.1%** | **-28.1%** | **16.9%** | **8.3%** |

Compared to the same period of the previous year, there was a slightly higher total amount of settlements for the Parent Company (+8.3%), mainly related to the ODP segment, and more specifically to the AGRO segment (+21%) and the Bancassurance segment (+17% approximately). Substantially in line with the cost of claims in the first half of 2021, settlements in the Credit segment, while the Financial Losses segment fell sharply (-28%), the latter still mainly affected by claims related to the salary-backed loan segment.

The following tables show the values related to the settlement rate (by number) referring only to the direct business portfolio, analysed according to the incident period, net of claims eliminated without pay-out and distinct from the current claims and claims from previous years as well as by balance sheet classes.

.

Table No. 8/a and 8/b – Settlement rate by generation of occurrence

**First Half 2022**

| Segment | Current generation | Previous generations |
|---|---|---|
| 01 – Accident and Injury | 16.25% | 37.50% |
| 08 – Fire | 37.31% | 81.82% |
| 09 – ODP | 49.80% | 30.82% |
| 14 – Credit | 67.30% | 74.14% |
| 16 – Financial Losses | 93.15% | 53.33% |
| – Other classes | 88.89% | 85.14% |
| **Total** | **64.89%** | **61.59%** |

**First Half 2021**

| Segment | Current generation | Previous generations |
|---|---|---|
| 01 – Accident and Injury | 30.88% | 53.85% |
| 08 – Fire | 70.83% | 80.00% |
| 09 – ODP | 82.59% | 100.00% |
| 14 – Credit | 51.56% | 72.91% |
| 16 – Financial Losses | 50.00% | 78.95% |
| – Other segments | 85.40% | 68.22% |
| **Total** | **76.76%** | **74.34%** |

- the settlement rate for current accident claims reported in the first half of 2022 was about 65%, compared to 76.8% in the first half of 2021.
- the settlement rate for claims occurring prior to 2022 was approximately 62% in the first half of 2022, compared to 74.7% in the same period of 2021.

Both indicators show sustained values, albeit down compared to 2021, and confirm the high standard of the service.

The following table refers to portfolio claims, i.e. those recorded in 2022 (before indirect business), the amount of provisions for outstanding claims including provisions for expert expenses and other expenses directly attributable to the classes, and the estimate for IBNR provisions for outstanding claims during the year.

Table No. 9 – Claims provision for the current year

Thousands of Euro

| Financial Statement classes | Claims provision Current period 2022 - 06 | Claims provision Current period 2021 - 06 | Change |
|---|---|---|---|
| Accident and Injury | 282 | 141 | 140 |
| Illness | 44 | 90 | (46) |
| Fire | 187 | 29 | 159 |
| Other Damage to Property | 5,973 | 4,603 | 1,370 |
| GCL | 64 | 34 | 29 |
| Credit | 9,762 | 10,182 | (420) |
| Suretyship | 74 | 105 | (31) |
| Financial Losses | 130 | 222 | (92) |
| Legal Protection | 42 | 56 | (14) |
| Assistance | 1 | 0 | 1 |
| **Total** | **16,559** | **15,463** | **1,097** |

For claims provisions for the year of occurrence 2022 at the end of the first half of 2022, a total 7% increase was observed: as for each single class, the following observations can be made:

- an increase, recorded as at 30 June 2022, in the portfolio of products placed through the banking channel in relation to Accident/Injury, Fire and General Civil Liability segments,
- a slight decrease, recorded as at 30 June 2022, in the Credit segment, the core business of the parent company;
- an increase in the estimate of AGRO claims costs, based on notifications of certificates affected by claims by underwriting brokers due to adverse weather conditions in Italy in the first half of 2022.

With regard to indirect business, charges for claims as at 30 June 2022 (therefore including the change between outgoing and incoming claims provision) amounted to 27 thousand Euros.

Evidence of the run-off claims valued in the first half of 2022 compared with the run-off resulting in the same period of 2021, distinct for Non-Life segments, is also provided. The table shows the figures included in the provisions for expert expenses and other expenses directly attributable to the insurance products and the estimate for IBNR provisions for outstanding claims for previous years preceding the year of assessment.

## Table No. 10 – Non-Life business run-off

Thousands of Euro

| Financial Statement classes | 2022-06 | | | | 2021-06 | | | |
|---|---|---|---|---|---|---|---|---|
| | Claims provision Financial statements 2021 | Indemnities paid for claims prev. year | Claims provision 2022-06 for claims prev. year | Claims Run-off 2022-06 | Claims provision - 2020 Financial statements | Indemnities paid for claims prev. year | Claims provision 2021-06 for claims prev. year | Claims Run-off 2021-06 |
| Accident and Injury | 410 | 257 | 378 | (225) | 367 | 229 | 208 | (71) |
| Illness | 239 | 48 | 156 | 35 | 97 | 37 | 89 | (29) |
| Fire | 293 | 69 | 175 | 49 | 234 | 69 | 198 | (33) |
| Other Damage to Property | 1,611 | 2,669 | 9 | (1,067) | 1,522 | 1,233 | 23 | 266 |
| GCL | 90 | 89 | 73 | (72) | 62 | 23 | 32 | 7 |
| Credit | 17,225 | 9,007 | 6,826 | 1,392 | 18,524 | 9,085 | 8,540 | 899 |
| Suretyship | 219 | 57 | 163 | (0) | 287 | 134 | 160 | (7) |
| Financial Losses | 1,051 | 57 | 584 | 410 | 1,960 | 93 | 1,438 | 430 |
| Legal Protection | 255 | 31 | 212 | 12 | 264 | 53 | 208 | 3 |
| Assistance | 1 | 0 | 1 | 0 | 0 | 1 | 0 | (1) |
| **Total** | **21,395** | **12,285** | **8,575** | **534** | **23,317** | **10,957** | **10,895** | **1,465** |

A positive run-off of a total of 534 million Euros was reported as at 30 June. This positive run-off confirms the Group's prudent approach to the provision for claims. In particular, on Credit and Financial Losses, the largest incoming provisions releases were reported: compared to those as at 30 June 2021, the Financial Losses segment is perfectly in line, while that of the Credit segment is increasing.

The following table shows the expenses for claims as at 30 June 2022, compared with 30 June 2021, broken down by segment. The amounts relate only to direct business and are already all-inclusive of allocations (provisions for late claims) and costs reversed to the personnel and claims management segments.

## Table No. 11 – Expenses for claims - Non-Life

Thousands of Euro

| Financial Statement classes | Expenses from claims Half-year 2022 | Expenses from claims Half-year 2021 | Change |
|---|---|---|---|
| Accident and Injury | 534 | 238 | 296 |
| Illness | 195 | 240 | (45) |
| Fire | 227 | 104 | 123 |
| Other Damage to Property | 9,737 | 7,526 | 2,211 |
| GCL | 148 | 46 | 102 |
| Credit | 9,105 | 9,713 | (608) |
| Suretyship | 96 | 112 | (16) |
| Financial Losses | (266) | (203) | (63) |
| Legal Protection | 30 | 53 | (23) |
| Assistance | 1 | 2 | (1) |
| **Total** | **19,807** | **17,831** | **1,976** |

The increase in the total expenses for claims (+7%) is entirely attributable to the increase in the expenses for claims of segment 9 - Other damage to property, of which the Hail business is part. This increase is partly due to the loss ratio estimated by loss adjusters for the first half of 2022 and partly due to the growth of the risk-exposed portfolio itself. In the segments other than segment 9 – ODP, on the other hand, the charges show values that are decreasing or are at most in line with the values of the first half of 2021.

## Trend of recoveries

The recoveries, both in terms of premium income and the recovery provision, although lower than in the first half of 2021 (-22%) are in line with the 2022 budget.

## Life claims performance

During the first half of this year, there was a decrease in claims of -17%, confirming that the situation generated by the pandemic crisis is gradually receding. The table below shows the claims reported with respect to known claims as at 30 June 2022 and 30 June 2021, broken down by period of occurrence.

Table No. 12 – No. Claims by year of occurrence Life business - First half 2022 vs First half 2021

| Year of occurrence | No. Claims 2022 | No. Claims 2021 | % 2022 | % 2021 |
|---|---|---|---|---|
| 2010 | 0.00 | 1.00 | 0.00% | 0.06% |
| 2011 | 0.00 | 0.00 | 0.00% | 0.00% |
| 2012 | 0.00 | 3.00 | 0.00% | 0.19% |
| 2013 | 0.00 | 1.00 | 0.00% | 0.06% |
| 2014 | 3.00 | 9.00 | 0.23% | 0.56% |
| 2015 | 10.00 | 13.00 | 0.75% | 0.81% |
| 2016 | 7.00 | 17.00 | 0.53% | 1.06% |
| 2017 | 18.00 | 22.00 | 1.35% | 1.37% |
| 2018 | 11.00 | 28.00 | 0.83% | 1.75% |
| 2019 | 18.00 | 35.00 | 1.35% | 2.18% |
| 2020 | 30.00 | 685.00 | 2.26% | 42.76% |
| 2021 | 516.00 | 788.00 | 38.83% | 49.19% |
| 2022 | 716.00 | 0.00 | 53.88% | 0.00% |
| **Total** | **1,329.00** | **1,602.00** | **100.00%** | **100.00%** |

The amounts paid in the first half of the year, analysed according to the year of occurrence, are shown in number and amount in the following table and compared with those of the previous half-year:

Table No. 13a – No. settlements - I Half year 2022 vs 2021

| Year of occurrence | No. Settlements 2022 | No. Settlements 2021 | Change | % change |
|---|---|---|---|---|
| 2010 | 0.00 | 8.00 | -8.00 | -100.00% |
| 2011 | 14.00 | 0.00 | 14.00 | 0.00% |
| 2012 | 2.00 | 4.00 | -2.00 | -50.00% |
| 2013 | 5.00 | 1.00 | 4.00 | 400.00% |
| 2014 | 8.00 | 10.00 | -2.00 | -20.00% |
| 2015 | 14.00 | 13.00 | 1.00 | 7.69% |
| 2016 | 24.00 | 12.00 | 12.00 | 100.00% |
| 2017 | 25.00 | 25.00 | 0.00 | 0.00% |
| 2018 | 22.00 | 26.00 | -4.00 | -15.38% |
| 2019 | 26.00 | 30.00 | -4.00 | -13.33% |
| 2020 | 37.00 | 749.00 | -712.00 | -95.06% |
| 2021 | 548.00 | 673.00 | -125.00 | -18.57% |
| 2022 | 630.00 | 0.00 | 630.00 | 0.00% |
| **Total** | **1,355.00** | **1,551.00** | **-196.00** | **-12.64%** |

Table No. 13b – Amount paid – I Half year 2022 vs 2021

| Year of occurrence | Paid amounts 2022 | Paid amounts 2021 | Change | % change |
|---|---|---|---|---|
| 2010 | 0.00 | 63.00 | -63.00 | -100.00% |
| 2011 | 128.00 | 0.00 | 128.00 | 0.00% |
| 2012 | 8.00 | 47.00 | -39.00 | -82.98% |
| 2013 | 45.00 | 21.00 | 24.00 | 114.29% |
| 2014 | 87.00 | 108.00 | -21.00 | -19.44% |
| 2015 | 135.00 | 108.00 | 27.00 | 25.00% |
| 2016 | 201.00 | 105.00 | 96.00 | 91.43% |
| 2017 | 172.00 | 95.00 | 77.00 | 81.05% |
| 2018 | 86.00 | 68.00 | 18.00 | 26.47% |
| 2019 | 115.00 | 201.00 | -86.00 | -42.79% |
| 2020 | 212.00 | 7,446.00 | -7234.00 | -97.15% |
| 2021 | 6,225.00 | 6,033.00 | 192.00 | 3.18% |
| 2022 | 6,561.00 | 0.00 | 6561.00 | 0.00% |
| **Total** | **13,975.00** | **14,295.00** | **-320.00** | **-2.24%** |

Although the number of claims paid is decreasing, just as the number of claims reported is decreasing, the amounts paid are decreasing less than proportionally due to the increase in the cost of claims, in fact, the incidence of claims incurred in the current year is higher during the half-year than in the previous half-year.

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### Table No. 14 – Expenses from claims – I Half year 2022 vs I Half year 2021

| | First Half 2022 | First Half 2021 | Change | % change |
|---|---|---|---|---|
| **Expenses from claims for the year** | **8,115** | **7,977** | **138** | **1.73%** |
| Segment I | 8,115 | 7,977 | 138 | 1.73% |
| Segment IV | 0 | 0 | 0 | 0.00% |
| **xpenses from claims in previous yea** | **6,294** | **7,338** | **-1,044** | **-14.23%** |
| Segment I | 6,294 | 7,338 | -1,044 | -14.23% |
| Segment IV | 0 | 0 | 0 | 0.00% |
| **Total** | **14,409** | **15,315** | **-906** | **-5.92%** |

Claim costs as at 30 June 2022 was down by approximately 6% compared to the previous year.

At the end of the first half of 2022 the sums to be paid, including provisions for settlement requests received but not settled by the end of the six-month period, amounted to 1,774 thousand Euros. Data are reported in the following table, in terms of amount and number:

### Table No. 15a – Amounts to be paid – I Half year 2022 vs 2021

| Year of occurrence | No. Claims to provision 2022 | No. Claims to provision 2021 | Change | % change |
|---|---|---|---|---|
| 2010 | 0.00 | 8.00 | -8.00 | -100.00% |
| 2011 | 0.00 | 0.00 | 0.00 | 0.00% |
| 2012 | 0.00 | 4.00 | -4.00 | -100.00% |
| 2011 | 0.00 | 14.00 | -14.00 | -100.00% |
| 2012 | 0.00 | 38.00 | -38.00 | -100.00% |
| 2013 | 0.00 | 55.00 | -55.00 | -100.00% |
| 2014 | 0.00 | 111.00 | -111.00 | -100.00% |
| 2015 | 4.00 | 129.00 | -125.00 | -96.90% |
| 2016 | 0.00 | 153.00 | -153.00 | -100.00% |
| 2017 | 3.00 | 134.00 | -131.00 | -97.76% |
| 2018 | 0.00 | 91.00 | -91.00 | -100.00% |
| 2019 | 2.00 | 8.00 | -6.00 | -75.00% |
| 2020 | 5.00 | 32.00 | -27.00 | -84.38% |
| 2021 | 17.00 | 111.00 | -94.00 | -84.68% |
| 2022 | 101.00 | 0.00 | 101.00 | 0.00% |
| **Total** | **132.00** | **876.00** | **-756.00** | **-86.30%** |

Table No. 15b – Amounts to provision – I Half year 2022 vs 2021

| Year of occurrence | Amount to provision 2022 | Amount to provision 2021 | Change | % change |
|---|---|---|---|---|
| 2010 | 0.00 | 8.00 | -8.00 | -100.00% |
| 2011 | 0.00 | 0.00 | 0.00 | 0.00% |
| 2012 | 0.00 | 4.00 | -4.00 | -100.00% |
| 2011 | 0.00 | 132.00 | -132.00 | -100.00% |
| 2012 | 0.00 | 257.00 | -257.00 | -100.00% |
| 2013 | 0.00 | 423.00 | -423.00 | -100.00% |
| 2014 | 0.00 | 704.00 | -704.00 | -100.00% |
| 2015 | 31.00 | 584.00 | -553.00 | -94.69% |
| 2016 | 0.00 | 552.00 | -552.00 | -100.00% |
| 2017 | 22.00 | 247.00 | -225.00 | -91.09% |
| 2018 | 0.00 | 179.00 | -179.00 | -100.00% |
| 2019 | 3.00 | 15.00 | -12.00 | -80.00% |
| 2020 | 37.00 | 422.00 | -385.00 | -91.23% |
| 2021 | 216.00 | 1,664.00 | -1,448.00 | -87.02% |
| 2022 | 1,465.00 | 0.00 | 1,465.00 | 0.00% |
| **Total** | **1,774.00** | **5,179.00** | **-3,417.00** | **-65.98%** |

## Technical Result of individual insurance products

The technical performance of the Group, represented by the item "technical margin", showed a positive result of 18,045 thousand Euros, an increase of 6% compared to the previous year.

With reference to the Non-Life and Life segments, the main considerations on the technical items gross and net of reinsurance by Company and by single sector, for the first half-years of 2022 and 2021.

It should be noted that the values shown in Tables Nos. 16, 17.a, 17.b, are based on the reclassifications to better represent the substance of the Group's business.

Table No. 16 – Group reclassified income statement and Combined Ratio

| | Group Half-year 2022-06 NON-LIFE + LIFE | NET Half-year 2022-06 NON-LIFE | NET LIFE Half-year 2022-06 LIFE | Group Half-year 2021-06 NON-LIFE+ LIFE | NET Half-year 2021-06 NON-LIFE | NET LIFE Half-year 2021-06 LIFE |
|---|---|---|---|---|---|---|
| Gross premiums written | 96,899 | 51,948 | 44,951 | 79,134 | 43,091 | 36,043 |
| Delta reserves (premium and mathematical reserves) | (40,851) | (18,188) | (22,662) | (27,276) | (13,796) | (13,481) |
| Gross premiums earned | 56,048 | 33,760 | 22,288 | 51,857 | 29,295 | 22,562 |
| Expenses for claims | (34,243) | (19,834) | (14,409) | (33,190) | (17,875) | (15,315) |
| *Gross Loss Ratio - recoveries* | *61%* | *59%* | *65%* | *64%* | *61%* | *68%* |
| Recoveries earned | 4,282 | 4,282 | - | 5,511 | 5,511 | - |
| *Loss Ratio (1)* | *53%* | *46%* | *65%* | *53%* | *42%* | *68%* |
| Commissions | (11,718) | (6,540) | (5,178) | (8,681) | (4,584) | (4,096) |
| *Commission Ratio (2)* | *21%* | *19%* | *23%* | *17%* | *16%* | *18%* |
| **Direct business margin** | **14,369** | **11,668** | **2,701** | **15,497** | **12,347** | **3,151** |
| Ceded premiums earned | (32,533) | (17,676) | (14,857) | (29,589) | (15,588) | (14,001) |
| Expenses for claims ceded | 21,300 | 12,070 | 9,230 | 20,536 | 10,482 | 10,054 |
| Earned recoveries ceded | (2,758) | (2,758) | | (3,188) | (3,188) | - |
| Fees from reinsurance | 17,634 | 7,931 | 9,703 | 13,101 | 5,905 | 7,196 |
| **Reinsurance balance** | **3,643** | **(432)** | **4,076** | **861** | **(2,389)** | **3,250** |
| Changes in other technical reserves | 33 | 33 | - | 680 | 25 | 655 |
| **Technical margin** | **18,045** | **11,268** | **6,776** | **17,038** | **9,983** | **7,055** |
| Ordinary expenses (including amortisation/depreciation) | (10,628) | (8,570) | (2,058) | (10,060) | (8,077) | (1,983) |
| *Expense Ratio (3)* | *19%* | *25%* | *9%* | *19%* | *28%* | *9%* |
| *Combined Ratio (4 = 1 + 2 + 3)* | *93%* | *91%* | *97%* | *90%* | *85%* | *95%* |
| **Net technical result** | **7,417** | **2,699** | **4,718** | **6,978** | **1,906** | **5,072** |

| | Group Half-year 2022-06 NON-LIFE + LIFE | NET Half-year 2022-06 NON-LIFE | NET LIFE Half-year 2022-06 LIFE | Group Half-year 2021-06 NON-LIFE+ LIFE | NET Half-year 2021-06 NON-LIFE | NET LIFE Half-year 2021-06 LIFE |
|---|---|---|---|---|---|---|
| **Net Reins. Combined ratio** | *69%* | *83%* | *37%* | *72%* | *86%* | *48%* |

The table shows that the **profitability of the portfolio net of reinsurance is improving**; in fact, the Group's combined ratio net of reinsurance decreased in the first half of 2022 compared to the same period in 2021. The same trend is observed at the individual company level.

The Loss Ratio before reinsurance and net of subrogation recoveries, which well summarises the Group's technical management, is 53% and is perfectly in line with 2021.

The Expense Ratio, which is an indicator that represents the spending capacity with respect to the premiums earned, is in line with the first half of 2021.

The Commission ratio, which is an indicator of the weight of the commissions and upfront amounts paid to the distribution network compared to the premium earned, shows a slight increase (+4%) compared to the first half of 2021.

It should be noted that the results of the technical management are affected by the weight of the claims trend of the Hail coverage, whose loss ratio is well above that of the salary-backed loan segment and also of Bancassurance, characterised by its nature by a low loss ratio. This is illustrated in the following tables that provide the technical performance of the individual segments.

Please also note that the technical result of the individual segments as at 30 June 2022, is affected by the change in the methodology adopted for the allocation of expenses among the various segments, in particular, the drivers used in order to reflect more consistently the structural costs of the Group on the business segments are allocated on the basis of the number of insurance policies and claims and not on the premium income as in previous years.

### Table No. 17a – Reclassified Non-Life Income Statement by segment – Financial year 2022

| | NET Half-year 2022-06 NON-LIFE | NET Half-year 2022-06 NON-LIFE CREDIT (Salary-backed loan) | NET Half-year 2022-06 NON-LIFE Hail | NET Half-year 2022-06 NON-LIFE Bancassurance/ Broker | NET Half-year 2022-06 NON-LIFE Financial losses (Salary-backed loan) |
|---|---|---|---|---|---|
| Gross premiums written | 51,948 | 16,372 | 24,309 | 11,358 | (92) |
| Delta reserves (premium and mathematical reserves) | (18,188) | (2,990) | (12,330) | (2,876) | 8 |
| Gross premiums earned | 33,760 | 13,382 | 11,979 | 8,482 | (83) |
| Expenses for claims | (19,834) | (9,133) | (9,437) | (1,564) | 300 |
| *Gross Loss Ratio - recoveries* | *59%* | *68%* | *79%* | *18%* | *360%* |
| Recoveries earned | 4,282 | 3,679 | | - | 603 |
| *Loss Ratio (1)* | *46%* | *41%* | *79%* | *18%* | *NA* |
| Commissions | (6,540) | (20) | (2,360) | (4,159) | - |
| *Commission Ratio (2)* | *19%* | *0%* | *20%* | *49%* | *NA* |
| **Direct business margin** | **11,668** | **7,908** | **181** | **2,759** | **820** |
| Ceded premiums earned | (17,676) | (7,994) | (8,033) | (1,686) | 38 |
| Expenses for claims ceded | 12,070 | 5,943 | 6,156 | 19 | (48) |
| Earned recoveries ceded | (2,758) | (2,491) | | (13) | (255) |
| Fees from reinsurance | 7,931 | 5,441 | 2,268 | 222 | - |
| **Reinsurance balance** | **(432)** | **899** | **391** | **(1,457)** | **(265)** |
| Changes in other technical reserves | 33 | - | (103) | 136 | - |
| **Technical margin** | **11,268** | **8,807** | **469** | **1,437** | **555** |
| Ordinary expenses (including amortisation/depreciation) | (8,570) | (5,345) | (102) | (3,123) | - |
| *Expense Ratio (3)* | *25%* | *40%* | *1%* | *37%* | *0%* |
| *Combined Ratio (4 = 1 + 2 + 3)* | *91%* | *81%* | *99%* | *104%* | *NA* |
| **Net technical result** | **2,699** | **3,462** | **367** | **(1,686)** | **555** |

| | NET Half-year 2022-06 NON-LIFE | NET Half-year 2022-06 NON-LIFE CREDIT (Salary-backed loan) | NET Half-year 2022-06 NON-LIFE Hail | NET Half-year 2022-06 NON-LIFE Bancassurance/ Broker | NET Half-year 2022-06 NON-LIFE Financial losses (Salary-backed loan) |
|---|---|---|---|---|---|
| Net Reins. Combined ratio | *83%* | *36%* | *88%* | *127%* | *NA* |

### Table No. 17b – Reclassified Non-Life Income Statement by segment – Financial year 2021

| | NET Half-year 2021-06 NON-LIFE | NET Half-year 2021-06 NON-LIFE CREDIT (Salary-backed loan) | NET Half-year 2021-06 NON-LIFE Hail | NET Half-year 2021-06 NON-LIFE Bancassurance/ Broker | NET Half-year 2021-06 NON-LIFE Financial losses (Salary-backed loan) |
|---|---|---|---|---|---|
| Gross premiums written | 43,091 | 15,577 | 19,937 | 7,770 | -193 |
| Delta reserves (premium and mathematical reserves) | -13,796 | -2,276 | -9,303 | -2,230 | 14 |
| Gross premiums earned | 29,295 | 13,300 | 10,634 | 5,539 | -179 |
| Expenses for claims | -17,875 | -9,554 | -7,526 | -998 | 203 |
| *Gross Loss Ratio - recoveries* | *61%* | *72%* | *71%* | *18%* | *113%* |
| Recoveries earned | 5,511 | 4,314 | - | - | 1,197 |
| *Loss Ratio (1)* | *42%* | *39%* | *71%* | *18%* | *NA* |
| Commissions | -4,584 | -20 | -1,218 | -3,346 | - |
| *Commission Ratio (2)* | *16%* | *0%* | *11%* | *60%* | *0%* |
| **Direct business margin** | **12,347** | **8,040** | **1,891** | **1,196** | **1,220** |
| Ceded premiums earned | -15,588 | -7,684 | -7,324 | -652 | 72 |
| Expenses for claims ceded | 10,482 | 6,037 | 4,448 | 168 | -171 |
| Earned recoveries ceded | -3,188 | -2,707 | - | - | -481 |
| Fees from reinsurance | 5,905 | 4,063 | 1,700 | 148 | -6 |
| **Reinsurance balance** | **-2,389** | **-292** | **-1,176** | **-336** | **-585** |
| Changes in other technical reserves | 25 | 25 | - | 0 | - |
| **Technical margin** | **9,983** | **7,773** | **715** | **860** | **635** |
| Ordinary expenses (including amortisation/depreciation) | -8,077 | -2,920 | -3,737 | -1,420 | - |
| *Expense Ratio (3)* | *28%* | *22%* | *35%* | *26%* | *0%* |
| *Combined Ratio (4 = 1 + 2 + 3)* | *85%* | *62%* | *117%* | *104%* | *NA* |
| **Net technical result** | **1,906** | **4,854** | **-3,023** | **-560** | **635** |

| | NET Half-year 2021-06 NON-LIFE | NET Half-year 2021-06 NON-LIFE CREDIT (Salary-backed loan) | NET Half-year 2021-06 NON-LIFE Hail | NET Half-year 2021-06 NON-LIFE Bancassurance/ Broker | NET Half-year 2021-06 NON-LIFE Financial losses (Salary-backed loan) |
|---|---|---|---|---|---|
| Net Reins. Combined ratio | *86%* | *14%* | *191%* | *111%* | *NA* |

On the basis of the tables above, some considerations on the technical trends of the individual sectors are provided below:

- For the Credit segment, premium income slightly increased compared to last year (+5%), as the latter year was penalised due to the prudent actions taken on the portfolio with the aim of limiting the underwriting risk and making the mix between segments more efficient, also from a post-pandemic perspective. The loss ratio net of recoveries and gross of reinsurance for the salary-backed loans is almost in line with the figure as at 30 June 2021. Net of reinsurance, the combined ratio for the segment is higher than the figure as at 30 June 2021, due to a sustained increase in overheads charged to the segment.

- For Financial Losses (Salary-backed loan sector): given the unique characteristics of this portfolio (the class is in run off and consequently no new production is generated but only reimbursements of unused premium accruals), for representative purposes, the decision has been taken to separate the claims relating to salary-backed loans from the premium portfolio relating to the bancassurance income, which therefore is incorporated in the figures in the third column of the previous tables. The run-off business shows a positive net technical result in the first half of 2022 in line with the first half of 2021, due to the release of provisions for late claims related to previous years and due to income for recoveries. In this view, overheads were not reversed, given the small portfolio still in place.

- Hail coverage (allocated to the Other Damage to Property segment): in the course of 2022, the marketing, which started ten years ago (2013), of products to cover the damage suffered by agricultural production following events such as hail (basic coverage) and other natural disasters now represents a well-established business in the Parent Company's portfolio. In particular, as for the 2021 financial year, also for 2022 the portfolios relating to the Summer Campaign are prevalent in the composition of this business and, specifically, the premium income for 2022 has seen further growth, (22% more premiums than those as at 30 June 2021). Claims also increased compared to the previous year, mainly due to a higher exposure in terms of claims. Finally, it should be noted that the coverage other than Hail always allocated to the same class are instead incorporated in the data relating to bancassurance.
- The bancassurance column includes the technical items relating to all the other classes for which the following considerations apply:
  - all segments recorded an increase in premiums income. These are mainly products placed through the bancassurance channel, the marketing of which by the Group began during 2019. As regards claims, they increased as expected in percentage terms, but in terms of loss ratio, the levels remained stable compared to the first half of 2021 and are still very contained (18%);
  - specifically for the individual segments, there was a decrease in the loss ratios for the Suretyships and Legal Protection segments, which fell from 25% to 16% and from 27% to 10%, respectively.

The technical result of the subsidiary, expressed in terms of gross loss ratio shows a value of 65% in 2022 compared to 68% in 2021, while the gross reinsurance combined ratio in 2022 was 97%, compared to 95% in 2021. Net of reinsurance, the overall indicator of commissions and operating expenses as at 30 June 2022 was strongly improved compared to the gross value, mainly due to the effect of the reinsurance of the salary-backed loans: in fact, the net combined ratio as at 30 June 2022 was 37% and lower than in 2021 (48%).

The technical performance of the two Life segments, reported in 2022 and 2021, can be summarised as follows:

- a slight increase of the loss ratio on the salary-backed loan segment due to the life trends attributed to previous Covid claims, which is reflected gross of reinsurance also in the combined ratio indicator, the effect of overheads reversed to the segment, is actually unchanged (constant over the two financial years and equal to 10% of net earned premiums);

- on the Bancassurance/Broker sector, in respect of an extremely low loss ratio and even a decrease compared to 2021, by contrast a gross combined ratio slightly above 100% was recorded, a value that fully depends on the value of the commission ratio destined to decrease over the next few years.

**Table No. 18 – Reclassified Life Income Statement by sector – Financial years 2022 and 2021**

| | NET LIFE Half-year 2022-06 LIFE | NET LIFE 2022-06 LIFE - Salary-backed loans | NET LIFE 2022-06 LIFE Bancassurance/ Brokers | NET LIFE Half-year 2021-06 LIFE | NET LIFE 2021-06 LIFE - Salary-backed loans | NET LIFE 2021-06 LIFE Bancassurance/ Brokers |
|---|---|---|---|---|---|---|
| Gross premiums written | 44,951 | 33,147 | 11,803 | 36,043 | 28,768 | 7,275 |
| Delta reserves (premium and mathematical reserves) | (22,662) | (16,534) | (6,128) | (13,481) | (10,228) | (3,252) |
| Gross premiums earned | 22,288 | 16,613 | 5,675 | 22,562 | 18,540 | 4,023 |
| Expenses for claims | (14,409) | (14,308) | (101) | (15,315) | (15,125) | (190) |
| *Gross Loss Ratio - recoveries* | *65%* | *86%* | *2%* | *68%* | *82%* | *5%* |
| Recoveries earned | - | | | - | | |
| *Loss Ratio (1)* | *65%* | *86%* | *2%* | *68%* | *82%* | *5%* |
| Commissions | (5,178) | (44) | (5,134) | (4,096) | (41) | (4,055) |
| *Commission Ratio (2)* | *23%* | *0%* | *90%* | *18%* | *0%* | *101%* |
| **Direct business margin** | **2,701** | **2,261** | **440** | **3,151** | **3,373** | **(223)** |
| Ceded premiums earned | (14,857) | (10,207) | (4,650) | (14,001) | (11,143) | (2,857) |
| Expenses for claims ceded | 9,230 | 9,207 | 22 | 10,054 | 9,951 | 103 |
| Earned recoveries ceded | - | | | - | - | - |
| Fees from reinsurance | 9,703 | 5,269 | 4,434 | 7,196 | 4,366 | 2,830 |
| **Reinsurance balance** | **4,076** | **4,269** | **(194)** | **3,250** | **3,174** | **76** |
| Changes in other technical reserves | - | - | - | 655 | 655 | - |
| **Technical margin** | **6,776** | **6,530** | **247** | **7,055** | **7,202** | **(147)** |
| Ordinary expenses (including amortisation/depreciation) | (2,058) | (1,389) | (669) | (1,983) | (1,583) | (400) |
| *Expense Ratio (3)* | *9%* | *8%* | *12%* | *9%* | *9%* | *10%* |
| *Combined Ratio (4 = 1 + 2 + 3)* | *97%* | *95%* | *104%* | *95%* | *90%* | *115%* |
| **Net technical result** | **4,718** | **5,141** | **(422)** | **5,072** | **5,619** | **(547)** |

| | NET LIFE Half-year 2022-06 LIFE | NET LIFE 2022-06 LIFE - Salary-backed loans | NET LIFE 2022-06 LIFE Bancassurance/ Brokers | NET LIFE Half-year 2021-06 LIFE | NET LIFE 2021-06 LIFE - Salary-backed loans | NET LIFE 2021-06 LIFE Bancassurance/ Brokers |
|---|---|---|---|---|---|---|
| Net Reins. Combined ratio | *37%* | *20%* | *141%* | *48%* | *33%* | *147%* |

## Outward Reinsurance

The corporate policy, as regards outward reinsurance, was finalised once balanced net retention was achieved. Relationships are maintained with highly rated groups operating in the international reinsurance market.

For the 2022 financial year, the plan of disposals has been set up as described below:

## Non-Life Business

### Credit class

For the Credit class, in relation to the Salary-backed loan segment, four separate pure quota share treaties were stipulated with partners of primary standing to reach an overall sale amount in terms of premiums issued equal to 70%.

Treaties were all drafted for "underwriting premiums" ("underwriting year") and, therefore, the reinsurance protection has followed the entire insurance period of each security issued in 2022, according to the so-called "Risk Attaching" principle.

### Fire class ("CAT" risks)

A risk premium quota share treaty was renewed with an international operator, with a 50% quota share transferred. The treaty covers the Earthquake and Flood coverages allocated to multi-risk or stand-alone products.

### Fire and General Civil Liability classes ("Leasing" risks)

A risk premium pure quota treaty was renewed with an international operator, with a 50% quota share transferred. The treaty covers Fire and General Civil Liability allocated to multi-risk products related to immovable or movable property leases.

### Financial Losses and General Civil Liability classes ("Cyber" risks)

A risk premium pure quota treaty was renewed with an international operator, with a 50% quota share transferred. The treaty covers the Financial Losses and General Civil Liability coverages allocated to multi-risk products for SMEs related to damages deriving from cyber-attacks.

### Suretyship segment

A risk premium pure quota treaty was renewed with an international operator, with a 50% quota share transferred.

The treaty was drafted for "underwriting premiums" (underwriting year) and, therefore, the reinsurance protection will follow the entire insurance period of each security issued in 2022, according to the so-called "Attaching Risk" principle.

### Accident and injury segment

A treaty for the coverage of “Excess of Loss” was concluded with a highly rated international operator and has allowed for a reduction in the retained net profit on each individual claim. This treaty provided coverage on all retained risks and, for 2022, applies to all claims bearing 2022 as the "event date", regardless of the effective date of the policies concerned.

### Fire Segment

A treaty for the coverage of “Excess of Loss” was concluded with a highly rated international operator and has allowed for a reduction in the retained net profit on each individual claim. This treaty provides, in particular:

a. the entire exposure coverage relating to policies issued from 2011 to 2022 (excluding Deutsche Bank mortgage portfolio, referred to under the following item "c");
b. coverage of the retained part of quota share treaties concluded for the years 2002-2010 and coverage of the exceeding of the recovery limit set for the claim in the above quota share treaties;
c. coverage of the retained part of quota share treaties concluded for the years 2010 and 2011 for the Deutsche Bank mortgage portfolio.

This coverage is effective for 2022 on all claims with an event date of 2022, regardless of the effective date of the affected policies.

### General Civil Liability Segment

A treaty for the coverage of “Excess of Loss” was concluded with an international operator and has allowed for a reduction in the retained net profit on each individual claim. This treaty provides coverage on all retained risks and, for 2022, applies to all claims bearing 2022 as the "event date", regardless of the effective date of the policies concerned.

### Legal Protection

The proportional "Quota Share" treaty with the historical partner (since 2003) of the Group was renewed. This treaty provides for a sale of 90% of the exposures.

### Assistance/Illness

The relationship with the Company's historical partner (since 2003) was renewed, through the proportional risk premium treaty, by selling 90% of the exposures. This treaty was extended, but limited to a "Travel" product, to the Illness segment.

### Illness

A proportional risk-premium treaty was renewed with a highly rated international operator, with a ceded share of 80%. The treaty refers to a new line of Illness products to be offered "stand-alone" or in the multi-risk product range.

### Other Damage to Property (Homix Smart Protection product)

A proportional risk-premium treaty was renewed with a highly rated international operator, with a ceded share of 80%. The treaty refers to a new line of products with a Theft coverage on residential properties, equipped with ENEL-X home protection devices.

### Agricultural Risks for hail and other adverse weather events

A reinsurance programme was set for 2022, which is divided into separate proportional and non-proportional treaties, depending on the portfolio lots:

- A pure quota share treaty was executed, with a highly rated international operator, in respect of risks assumed, as part of the so-called "Summer Campaign" on various agricultural crops - with a 20% premium retention rate and sale of 80% of premiums issued to a highly rated international operator.
- For the retained part, a Stop Loss Treaty was executed.

Pure quota share treaties was executed, with a pool of highly rated international operators, in respect of risks assumed, as part of the so-called "Summer Campaign", on various agricultural crops:

- for one lot in the portfolio, with a transfer quota of 84% of the premiums issued;
- for another lot in the portfolio, with a transfer quota of 48.50% of the premiums issued.

The retained parts are protected by specific Stop Loss treaties.

Finally, a pure quota share treaty was concluded in respect of risks assumed, as part of the so-called “Winter Campaign”, on various agricultural crops - with a transfer quota of 81.67% of the premiums issued. For the retained part, a Stop Loss Treaty was executed.

### Inward reinsurance - Non-life classes

In 2022, no new inward reinsurance treaties were concluded, without prejudice to the run-off of the Pure Quota Share Treaty stipulated in 2014.

### Life segments (I and IV)

As for the Salary-backed loan segment, in the context of term life insurance coverage, for the year 2022 four separate pure quota share treaties were executed in order to reach an overall sale amount in terms of premiums issued equal to 70%.

As for the Salary-backed loan segment, in the context of term life insurance coverage, for the year 2022 three separate pure quota share treaties were executed in order to reach an overall sale amount in terms of premiums issued equal to 70%.

The Treaties were all concluded with highly rated international operators and were all drafted for "underwriting premiums" ("underwriting year"); therefore, the reinsurance protection follows the entire insurance period of each security issued in 2022, according to the so-called "Risk Attaching" principle.

For production other than salary-backed loans, the Group for 2022, availing itself of a highly rated international operator:

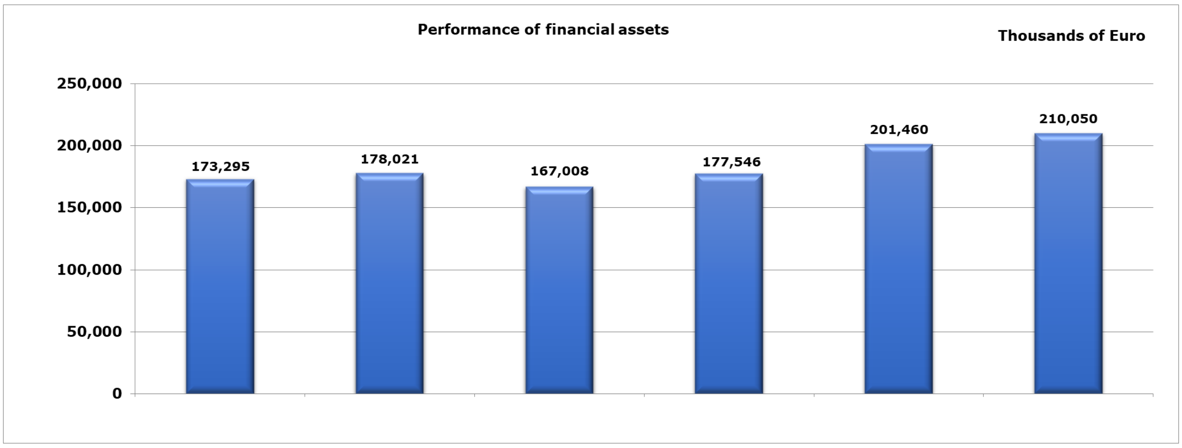
- renewed the current proportional treaty, with 60% of the premiums being ceded;
- renewed a separate risk premium quota share treaty – with reference to specific new products – with a 50% transfer quota;
- renewed the separate risk premium treaty, with a transfer quota of 50%, for Long Term Care products (Segment IV).

All the above-mentioned quota share treaties are drafted with "underwriting premiums" ("underwriting year"). Therefore, the reinsurance protection will follow the entire insurance period of each security issued in 2022, according to the so-called "Risk Attaching" principle.

## Capital and financial management

Investments, all of which with risks borne by the Group, amounted to 210,050 thousand Euros, an increase of 8,590 thousand Euros, or 4.3% compared to 2021. The increase is attributable to the investment of the funds from premium income.

### Table No. 19 – Development of financial assets




The portfolio's weighted average return, without taking the Augusto security into account, is 0.67% before expenses; the figure after deduction of said effects is 0.48%.

The financial management strategy is implemented through the external manager Banca Finnat Euramerica S.p.A., with which the Companies of the Net Group signed a specific mandate in 2019, in compliance with the service levels required by sector regulations.

## Fixed-income securities, shareholdings, mortgages, loans and liquidity

The following table shows the amount of financial assets as at 30 June 2022 in thousands of Euros, and is compared with that as at 31 December 2021.

### Table No. 20 – Financial assets

Thousands of Euro

| Investments | 2022-06 | 2021 | % Change |
|---|---|---|---|
| Loans | 0 | 6 | 0.0% |
| Non-current assets or assets of a disposal group held for sale | 0 | 0 | 0.0% |
| **Loans and receivables** | **0** | **6** | **0.0%** |
| Equity investments | 2,358 | 2,034 | 15.9% |
| Mutual funds | 68,398 | 72,491 | -5.6% |
| Bonds | 137,191 | 124,987 | 9.8% |
| Stocks | 2,103 | 1,948 | 8.0% |
| **Financial assets available for sale** | **210,050** | **201,460** | **4.3%** |
| Financial assets designated at fair value | 0 | 0 | 0.0% |
| **Financial assets designated at fair value** | **0** | **0** | **0.0%** |
| Total Assets | 210,050 | 201,466 | 4.26% |

During the first half of the year, the Group, given the market environment characterised by an inflationary scenario and the increase in yields on all asset classes, pursued a conservative line, maintaining a duration of assets slightly lower than that of liabilities by investing in bonds, mainly government bonds, and capturing attractive yields even on average maturities without penalising capital.

Bonds and other fixed-income securities amounted to 137,191 thousand Euros and increased compared to the value recorded as at 31 December 2021.

The portfolio of bonds, all classified as available-for-sale, consists of 84.40% from investment grade securities (of which 16.87% are rated AAA to single A and 67.53% are rated BBB) and 16.60% are unrated or non-investment grade securities.

The following tables highlight, respectively, the distribution of bond investments in government bonds and "corporate" securities and between fixed-rate bonds and variable-rate bonds, with a high prevalence of government bonds and fixed-rate bonds.

Table No. 21a – Bond by Issuer

Thousands of Euro

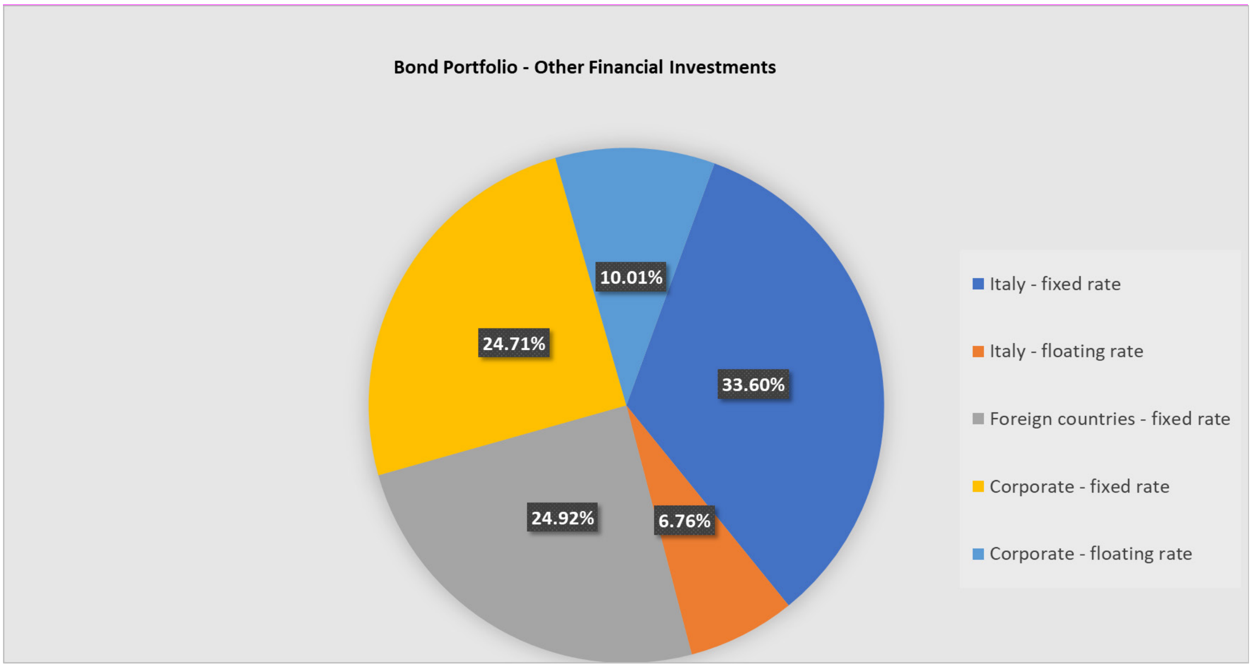
| Bonds portfolio | Carrying amount | % |
|---|---|---|
| Italian Government Bonds | 55,374 | 40.36% |
| Foreign Government Bonds | 33,896 | 24.71% |
| Corporate Securities | 47,921 | 34.93% |
| **Total** | **137,191** | **100.00%** |

Table No. 21b – Bonds by type of rate

Thousands of Euro

| Bonds portfolio | Carrying amount | % |
|---|---|---|
| Fixed-rated securities | 114,181 | 83.23% |
| Floating-rated securities | 23,010 | 16.77% |
| **Total** | **137,191** | **100.00%** |

Table No. 22 – Pie chart of Bond portfolio




## Investments in structured securities and derivative instruments

The Group, based on the Framework Resolution on Investments, can invest in derivatives or financial instruments with similar characteristics and effects, taking into account the conditions and the limits specified below.

The derivative financial instrument-based operations and investment in structured products must be guided by sound and prudent management principles.

For all structured securities taken into consideration, a maximum investment limit of 40% of the overall securities portfolio is authorised.

As regards investments in structured securities, the Group, as at 30 June 2022, recorded a direct exposure to "light structured" securities, characterised primarily by bonds with early redemption option for a total amount in the financial statements (including prepaid interest) of 31,170 thousand Euros, with a percentage impact on the total bonds, including prepaid interest, at the same date, standing at 22.72%. The securities have an impact on available-for-sale assets of 14.84%.

The Group does not hold investments in derivative instruments.

## New Accounting Standard (“temporary exemption”)

On 12 September 2016, IASB published "Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", endorsed on 3 November 2017 by the Regulation (EU) 2017/1988 which introduces amendments aimed at addressing critical issues pertaining to the insurance sector, deriving from a non-alignment of the different application dates of the new standard on the financial instruments and on insurance contracts (IFRS 17).

The Group, in compliance with the provisions stated in this document, which was transposed by IVASS with Provision no. 74 of 8 May 2018, decided to apply the option "Deferral Approach" (or "Temporary exemption") which allows, to the entities with an insurance predominance, a deferral of the IFRS 9 application until the effective date of IFRS 17, initially scheduled for 2021. The Group abides by the IFRS 4 requirements, which allow it to benefit from a temporary exemption. The Group's activities are principally related to insurance activities; in particular, the book value of insurance liabilities accounts for over 90% of total liabilities. To be noted is that the IVASS Provision No. 109 of 27 January 2021 extended the deferral to 1 January 2023.

In compliance with Paragraph 39E of IFRS 4, we report the "fair value" as at 30 June 2022 and the amount of the change in "fair value", understood as the change between the market value as at 30 June 2022 and the market value as at 31 December 2021 for the following two groups of financial assets:

a) financial assets with contractual terms providing, at preset dates, financial flows represented "solely by payments of principal and interest" (SPPI) on the amount of the principal to be paid back (hereinafter "SPPI Financial Assets")
b) all other financial assets.

Table No. 23 – Financial assets

*Amounts in €/000*

| Financial assets | Fair Value as at 30/06/2022 | Changes in fair value - Gross tax effect | Changes in fair value - Net tax effect |
|---|---|---|---|
| **Financial assets** | | | |
| Bonds | 137,191 | (10,281) | (7,112) |
| *of which positions passing the SPPI test* | *129,940* | *(9,073)* | *(6,277)* |
| *of which positions not passing the SPPI test* | *7,250* | *(1,217)* | *(842)* |
| *of which position in Augusto bond* | *2,001* | *10* | *7* |
| Listed and non-listed stocks | 4,461 | 204 | 141 |
| Units of mutual funds | 68,398 | (8,219) | (5,686) |
| **Total** | **210,050** | **(18,296)** | **(12,657)** |

On the positions analysed as part of the SPPI test, some positions were identified, for a total value of 7,250 thousand Euros, with a marginal weight of 3.45% on total financial assets, which did not pass the test. This is a convertible bond whose structure can be considered incompatible with a loan agreement with certain payment flows, as it is related to the value of the issuer's equity, and with additional positions with contractual clauses related to the performance of the debtor that modify the timing or the amount of cash flows (subordinated banking and insurance securities with clauses that modify the repayment conditions as the capital requirement changes or securities with step up/step down clauses).

In addition, it should be noted that in accordance with paragraph 39G of IFRS 4, Companies of the Group have conducted creditworthiness assessments on the Financial Assets. Referring to the analyses carried out, please refer to the Notes to the Accounts - Risk Management - Financial risk management.

# OTHER INFORMATION

## Solvency Capital Requirement

Under Article 24, paragraph 4-bis of Regulation 7/2007, information is provided regarding compliance with operating conditions pursuant to Article 216-ter of Italian Legislative Decree No. 209/2005.

The Net Insurance Group’s Solvency Index, resulting from the eligible Own Funds and Solvency Capital Requirement ratio, amounts to 171.90%.

The Group's eligible Own Funds and Minimum Solvency Capital Requirement ratio stands at 343.48%.

In particular:

- the Solvency Capital Requirement of the Group is equal to 52,117 thousand Euros;
- the Minimum Solvency Capital Requirement of the Group amounted to 20,847 thousand Euros;
- the amount of the Group's eligible Own Funds covering the Solvency Capital Requirement amounted to 89,593 thousand Euros, of which 67,437 thousand Euros Tier 1, 15,350 thousand Euros Tier 2 and 6,806 thousand Euros Tier 3;
- the amount of the Group's Own Funds approved for fulfilling the Group’s Minimum Solvency Capital Requirement amounted to 71,606 thousand Euros, of which 67,437 thousand Euros Tier 1 and 4,169 thousand Euros Tier 2.

The above-mentioned information refers to the information reported in the QES (Quarterly ECB reporting Solo) as at 30 June 2022 (Q2-2022) to be sent to IVASS by the Companies by 4 August 2022; please note that the Group Companies and the Group, for the purposes of determining the Solvency Capital Requirement calculated with the standard formula, have updated the figure as at 30.06.2022.

In addition, the Group companies and the Group carry out and report to the Supervisory Authority on a monthly basis an update of solvency data in order to monitor, for each entity, the evolution of solvency in a context where the COVID-19 emergency at a global level is causing significant tensions in the financial markets. In all monitoring, the solvency ratio of the companies and the group was above the regulatory minimums.

## Administrative liability of the Company pursuant to Italian Legislative Decree No. 231/2001

The Board of Directors of 26 January 2022 approved the update - started in the second half of 2021 - of the organisation, management and control model in compliance with the provisions of Legislative Decree 231/2001 (hereinafter OMM).

In particular, during the second half of 2021, on the recommendation of the SB, the project to update the OMM was launched with particular reference to the additions necessary for tax offences, for the offences introduced with Legislative Decree No. 75/2020 (PIF), for the regulations pursuant to Directive (EU) 2019/1937 as well as for the organisational changes that occurred in the Company.

The OMM was prepared on the basis of the provisions contained in Decree 231 and other reference standards, the Guidelines for the insurance sector drawn up by the National Association of Insurance Companies (Associazione Nazionale fra le Imprese Assicuratrici - ANIA) and those issued by Confindustria, best practices on the administrative liability of entities (corporate criminal liability), the main doctrinal and jurisprudential guidelines available and the results of the Risk Self-Assessment activities conducted.

The OMM 231 is divided into two sections:

- General Part (accompanied by Attachment 1: Code of Ethics and Conduct and Attachment 2: Disciplinary Code)
- Special Part

The Supervisory Body of the Parent Company was established by a resolution adopted by the respective Board of Directors, in order to supervise the functioning and compliance with the OMM and to update it.

The Supervisory Body was established in a collegiate form and consists of members from different professional backgrounds to ensure the expertise and knowledge of the organisational structure and business processes and the effectiveness of controls.

The members of the Supervisory Body are as follows:

- Mr Blandini Antonio (Chairperson), currently also Chairperson of the Board of Statutory Auditors of the Companies of the Group;

- Mr Marco Gulotta, currently also a member of the Board of Statutory Auditors.
- Ms Sabina Ippolitoni, currently also a member of the Board of Statutory Auditors.

In line with best practices and previous case law on the subject, the SB meets the necessary requirements of independence, honourableness and professionalism and does not present any grounds for incompatibility with the appointment.

One of the members of the Board of Directors of the Parent Company Net Insurance SpA holds a liaison position at Group level between the Board of Directors and the Supervisory Body pursuant to Italian Legislative Decree No. 231/2001.

The COVID-19 health emergency imposed and requires a specific assessment of the potential risks arising from the consequences of this extraordinary event. The SB has immediately taken steps to monitor and supervise the activities carried out by Corporate Governance, also in relation to the obligation to supervise the specific application of the OMM.

In order to facilitate the flow of reports and information to the SB, a dedicated e-mail channel has been set up to which SB members have access externally via a browser through their login credentials and a certified email channel dedicated only to reporting pursuant to the whistleblowing legislation, to which only SB members have access.

## ORGANISATIONAL STRUCTURE

The Companies of the Group have adopted a traditional system of governance. Therefore, pursuant to Art. 2380 of the Italian Civil Code and in compliance with the Articles of Association, the administration of the Companies and the control over them are delegated to the Board of Directors and the Board of Statutory Auditors, respectively, both set forth by the Shareholders' Meeting. The latter also appoints the auditing company, which is responsible for auditing the accounts.

## GOVERNING BODIES

### Board of Directors

The management of the Companies of the Group is exclusively entrusted to the respective Board of Directors which have adequate powers in the pursuit of the corporate objectives within the limits set forth by the law.

Pursuant to the By-Laws, the Board of Directors is vested with the broadest and unlimited powers for the ordinary and extraordinary management of the Companies of the Group and more specifically, the

Board is granted all the powers that are necessary or even only appropriate for the achievement of the corporate objectives.

The Board, based on the information received, assesses the adequacy of the organisational, administrative and accounting structure of the Company; when the strategic, business and financial plans of the Company are completed, it reviews and assesses them; it finally evaluates, based on the reports provided by the delegated bodies, the general performance of the Company.

The Board promotes a high level of integrity and a culture of internal controls and risk management – covering also outsourced activities – so as to raise the awareness of the employees on the importance and necessity of controls and risk management; defines and formalises the interactions among the several functions that are responsible for controls and risk management in order to ensure a system that is adequate and effective in both of these two areas.

The Board ascertains that the corporate governance system is consistent with the set forth strategic policies and risk appetite and that it is capable of identifying and updating corporate risks and their interrelations, so that the organisational units take into appropriate account the new risks or the risks that were previously not subject to assessment and controls.

## Board of Statutory Auditors

The activities of the Board of Statutory Auditors focus on an evaluation of the organisational, administrative and accounting structure of the Group and on its functioning; on a general assessment of the efficiency and effectiveness of the internal control system while ensuring that the internal auditing, in particular, is carried out with the necessary autonomy, independence and professionalism, without duplicating the work of the other subjects involved.

Within the scope of its activities, aiming at a general assessment of the actual appropriateness of the internal control system to the performance of its tasks, the Board of Statutory Auditors maintains constant and continuous contacts with the Manager of the Internal Audit Function through a review of the periodical (quarterly) reports drawn up thereby, and through specific meetings.

The Board of Statutory Auditors may derive significant information for the monitoring of its internal control system also from the work of the Risk Manager, the Compliance Officer and the Management Control Officer as well as the Executive responsible for corporate reporting.

## Board Committees

In 2019, the following Board Committees were established for the purpose of assisting and providing advisory and proposal services to the Board of Directors and to Senior Staff.

- The Appointment and Remuneration Committee is responsible for providing advisory and proposal services applied to assessments and decisions related to appointments and remunerations. The following tasks, assigned to the Appointment and Remuneration Committee, include, but are not limited to:

- performing advisory and proposal functions within the scope of the definition of policies for the remuneration of the members of Corporate Bodies and relevant personnel, as well as a related assessment of the adequacy, overall consistency, concrete application and effective functioning while also providing all necessary information to the Board of Directors;
- proactively reviewing the outcomes of the assessments carried out on the remuneration policies by the Internal Audit, Compliance and Risk Management Functions;
- submitting proposals or opinions to the Board of Directors regarding the remuneration of the Directors, the administrators vested with special responsibilities, the members of Board and non-Board Committees, the Corporate Bodies and the Key Function Bodies;
- performing advisory and proposal functions regarding the appointments of the members of the Board of Directors including any co-option of the Directors, the Board and non-Board Committees; defining the methods for recovery plans and appointments, in cooperation with the Risk Internal Control Committee and Related Parties, as well as with the Managers of the Key Functions;

▪ The Investment Committee is responsible for managing investments, as well as monitoring the Company's compliance with the policies, guidelines and recommendations issued in the area of investments.

  It also provides, by way of example only, recommendations to the Board of Directors and Senior Staff regarding the following issues:

  - adequacy of the guidelines in the area of investments and hedging assets and regarding the consistency between investment objectives and investment policies;
  - opinions on the consistency between the individual investment policies and the strategic allocations of the Company taking into account the overall activities carried out, the risk appetite and the level of capitalisation;
  - overseeing policies implementation and investment guidelines;
  - monitoring the performance of external subjects entrusted with financial management;
  - evaluating and monitoring the risk at the time of its occurrence from the investment process, including exceptions to the investments;
  - monitoring compliance with the applicable laws and regulations.

- The Internal Control, Risk and Related Parties Committee, established in order to strengthen the internal control and risk management system in compliance with the provisions of Art. 6 of Regulation 38/2018, oversees the Board in its assessments and decisions related to the internal control and risk management system, including transactions with related parties.

  It also provides, by way of example only, recommendations to the Board of Directors and Senior Staff regarding the following issues:

  - the determination and review of guidelines for the internal controls and risk management system, including guidelines applicable to transactions with related parties;
  - the work plans prepared by Managers of Internal Auditing, Compliance, Actuarial and Risk Management Functions;
  - the risk management structure which must be implemented, adjusted, effective and proportional to the nature, scope and complexity of risks, current and future, intrinsic to the activities;
  - the maintenance by the Group of all legal and legislative requirements in the area of internal controls and risk management, and transactions with related parties;
  - the assessment of the results communicated by the Auditing Company in a letter of recommendations and in the additional report during the legally required auditing;

- ESG Committee assists the Board in evaluations and decisions related to sustainability, understood in the broader concept of *environmental, social & governance*, including the definition of a sustainability strategy with the aim of generating value in the medium to long term. The sustainability strategy takes the form of: (i) the identification of sustainability issues relevant to the business of the company and its interaction dynamics with all stakeholders; (ii) in corporate social responsibility.

  The ESG Committee is entrusted with the tasks of promoting, proposing and providing opinions to the Board of Directors. The Committee meets whenever it decides, but at least on a quarterly basis.

## Senior Staff

The Chief Executive Officer is responsible for implementing the resolutions passed by the Board of Directors; in particular, the CEO is responsible for ensuring that the organisational, administrative and accounting structure is adequate for the type and size of the company and reports to the BoD and the Board of Statutory Auditors on the general performance and on the most important operations carried out by the Company, based on its size and characteristics, in executing its mandate.

Senior Staff are responsible for implementing the strategies and the policies approved by the Board of Directors; for designing processes aimed at identifying, measuring, monitoring and controlling the risks undertaken by the Company; maintaining an organisational structure that can clearly identify responsibilities, competences and hierarchical reporting; ensuring that the delegated functions are properly performed; verifying the adequacy and efficacy of the corporate governance.

The BoD and Senior Staff are responsible for promoting high ethical and integrity standards as well as creating a corporate culture that enhances and demonstrates to all personnel the importance of internal controls. The purpose is that all the employees gain a clear understanding of their roles in the internal control process and are fully committed to it.

## Manager in charge of financial reporting reports

The Manager in charge of financial reporting reports periodically to the Board of Directors also through the Internal Risk Control and Related Parties Committee, as regards the activities carried out while performing their functions. They are responsible for the following functions:

- guaranteeing the development of adequate administrative and accounting procedures for the preparation of the financial statements for the period, of the consolidated financial statements and any other type of financial reports, in collaboration with the company's competent structures;
- assessing, jointly with the delegated body, the adequacy and the actual application, during the reference period of administrative and accounting procedures, the correspondence of the corporate accounting documents with the accounting records, as well as their suitability in providing a truthful and correct representation of the equity, economic and financial position of the Group;
- declaring the correspondence to the results from documents, accounting books and records of any acts and communications sent by the Company to the market concerning financial annual and intra-annual reports.

## Organisational Governance

The organisational structure of the parent company Net Insurance S.p.A. and the subsidiary Net Life is of a functional type and, as at 30 June 2021, can be broken down into the following four divisions:

1. Marketing, Communication and Staff Coordinator;
2. Business;
3. Finance;
4. Operations.

The activities performed by each division are as follow:

- Marketing, Communication & Staff Coordinator Division: provides an overall view of the market and its development, identifying the processes and actions aimed at promoting brand recognition and reputation as well as further developing relationships with its customers (intermediaries or retail).

  This Division also coordinates and manages the communication flows of the entire Group both externally (e.g. press office, events, sponsorships...), ensuring their consistency and timeliness – and internally focusing on the support provided to the CEO and to the entire Group as regards proactivity and cost optimisation; it coordinates the management of the sales staff and ensures an effective management of complaints.
- Business Division: ensures the achievement of the commercial objectives set out for the identified channels and business lines (Bancassurance, Brokers and Salary-backed loans) further advancing the development of products in line with the customers and the distribution channels requirements, while guaranteeing continuous and increasing levels of the offer's innovation and uniqueness, also through the promotion and support of professional training and updating activities related to the direct network.

  In reference to all the business lines, the Business Division performs, in accordance with the strategic choices of the Company and in compliance with the instructions provided by the Chief Business Officer, the technical activities related to the authorised segments and the related transfer of risks through reinsurance, pursuant to the proposition of the Assignment Plan and the negotiation of reinsurance treaties, in full compliance with the Reinsurance Policies and in constant cooperation with the Capital Management and Reinsurance Policy Service; finally, it oversees the control activities carried out on the distribution network and on the new products organisational process.
- Financial Division: formulates and implements, in line with the strategic choices of the Group, the policies concerning general, reinsurance and financial accounting, separate and consolidated financial statements, half-yearly separate and consolidated financial reports, as well as any activity related to compliance with tax and corporate requirements; policies concerning the financial statements in compliance with Solvency II and with all related quarterly and annual supervisory quantitative models; additional Solvency II reports; policies concerning management planning and controls, and all activities related to the formulation of business projections – equity and technical, both forward-looking and final (including policies concerning the internal current and future risk assessments) as well as reports on the solvency of the Company and the Group (so-called ORSA Report); policies concerning financial

investments and management of the Treasury, policies applicable to the management of capital and assets aimed at fulfilling obligations related to the quotation of the Companies on the AIM Italia market.

The Financials Division also provides support to the CEO and the BoD regarding the definition of the corporate strategies applied to the financial activities of the Company and to the development of new products; the planning and control activities and the fulfilment of tax obligations; the technical development of products in cooperation with HR as regards the preparation of professional update plans for the Company's staff; the development of the information systems in support of the company processes and the drawing up/updating of procedures and internal policies in cooperation with the IT & Organisation Service.

- Operations Division: defines the business direction of the Company by planning and managing all projects for the transformation and changes of the Group and accompanying them with adequate plans for the professional growth and training of the resources while supporting them with adequate sourcing policies and guaranteeing the technological, digital and architectural development of the systems and of the platforms, ensuring their physical and logic security within the Company.

  Defines the Development and Retention Plans used by Human Resources ensuring the application of the remuneration policies defined by the BoD as well as the definition of training plans. It provides support to the CEO and to the BoD in the definition of the business strategies with a specific focus on the processes, selection activities and monitoring of the outsourcers.

  Manages all operations of a logistic nature, as well as the activities and operations related to the process of purchasing goods and services, thus guaranteeing the execution of high standard contracts, based on SLAs that are constantly being monitored.

  Manages all operations related to the Salary-backed Loans portfolio and RE as well as all related claims, monitoring the technical performance and optimising the process of the Company for credit recovery. Cooperates with the CEO and the CFO in the definition and monitoring of the budget together with the business divisions for product planning and for the launch of new distribution and commercial partnerships, for the planning of new products and, with the Marketing Function, for the launch and management of digital platforms.

## Internal control and risk management system

The internal control and risk management system (hereinafter also SCIGR - Sistema di controllo interno e di gestione dei rischi) is an integral part of the broader governance system of the Net Insurance Group.

This system consists of a structured framework that provides for clear rules, formalisation of Policies and Guidelines, definition of processes and procedures useful to allow the Company an adequate functioning with the aim of identifying, managing and monitoring the main risks to which the Company is exposed, in line with Solvency II provisions.

The roles and responsibilities of the Board of Directors, the Board Committees, the Senior Staff and the Fundamental Functions are described in the document "Directives on the Corporate Governance System" adopted by the Group and approved by the Board of Directors of both Group companies with the purpose of defining the directives on the corporate governance system taking into account the corporate governance system adopted by the Group, the system of policies with particular reference to those of risk assessment, in line with the Group's overall risk appetite.

The system adopted is based on the so-called system of the three Lines of Defence, which, together with their coordination, confirms itself as a reference best practice, as it allows for the clear identification of the assurance providers, their relative attributions, and the various contributions made in the areas of their competence, in compliance with the requirements of the internal control and risk management system supporting the corporate governance process, reducing overlaps, improving synergies and thus avoiding inefficiencies:

- Organisational Units in charge of First Level controls

  Controls carried out by the organisation units and aimed at ensuring the correct performance of the operations and correct management of all risks arising from carrying out the assigned activities.

- Key functions responsible for Second Level controls

  Cross-functional controls on processes, risks and compliance carried out by the Risk Management, Compliance, Actuarial and Anti-Money Laundering Functions (the latter only for Net Insurance Life) with the aim of:

  - providing guidance and overseeing the risk management process;
  - providing support to the front line in defining and planning organisational and procedural solutions suitable for risk management;

- verifying compliance of corporate operations with applicable regulations.

- Internal Audit responsible for Third Level controls

  Ensuring controls aimed at both identifying any non-compliance with procedures and regulations and at assessing and verifying on a regular basis the completeness, functionality and adequacy of the internal control and risk management system. The planning of this activity is based on the nature and the intensity of the risks. This Function also provides support to the Organisational Units for the improvement of the risk management system and related controls.

**A brief description of the key roles within the internal control and risk management system is provided below:**

### Board of Directors

The Board of Directors is responsible for the governance system adopted by the Group Companies and guides them in pursuing sustainable success.

The Board of Directors defines the most functional corporate governance system for carrying out business activities and pursuing its strategies in compliance with sector and internal regulations.

### Senior Staff

Senior Staff is responsible for the implementation, maintenance and monitoring of the guidance policies and directives provided by the Board of Directors.

### Key Functions

Pursuant to sector regulations, the Company has set up the following Key Functions - according to the nature, extent and complexity of the risks inherent in the activities carried out by the Group - which, meeting adequate requirements of autonomy and independence, report periodically to the Board of Directors, also through the Internal Control, Risks and Related Parties Committee, the Board of Statutory Auditors, the Supervisory Body and the Chief Executive Officer.

The establishment of every individual Key Function is formalised in a specific resolution of the Board of Directors, which defines their responsibilities, duties, operating methods, nature and frequency of reporting to the corporate bodies and the other functions concerned.

The Board of Directors appoints the Manager of each Key Function, meeting the requirements of fitness for office established by the "Policy for evaluating requirements of integrity, professionalism and independence", ensuring that it is not placed under the responsibility of operating areas or hierarchically dependent on the parties responsible for such areas, and also identifies any different company units to support the function - if not established in the form of a specific organisational unit -

ensuring, in this case, the presence of adequate oversight mechanisms guaranteeing the separation of duties and preventing conflicts of interest.

The removal of the Manager of each Key Function is also the responsibility of the Board of Directors.

Personnel working in each Function must comply with objectivity and professional principles, basing their behaviour on autonomy and independence criteria, abstaining from initiating any activity and/or behaviour that may generate a conflict of interest or that may compromise the possibility of carrying out their tasks with impartiality, and must also operate in compliance with the principles and the provisions contained in the applicable supervisory regulations and with the policies and regulations adopted by the Company.

The Internal Audit Function is an independent and objective assurance, control and advisory function that assists the organisation in the pursuit of its objectives through a systematic professional approach, designed to generate added value by assessing, monitoring and improving:

- the control, risk management and corporate governance processes;
- the effectiveness, efficiency and adequacy of the internal control system and the additional components of the corporate governance system;
- any need for alignment, including through support and consultancy activities provided to other company functions;

with the aim of improving the effectiveness and efficiency of the entire organisation.

The Risk Management function contributes, together with the other players involved in the risk management, to the definition and creation of a management system for all risk-related activities, through the development and maintenance of policies, methodologies and risk measurement tools.

Compliance Function: within its configuration, it is also responsible for carrying out DPO and Anti-Money Laundering duties for Net Insurance Life only.

In its Compliance role, it is responsible for assessing the organisation and the internal procedures of the Company in terms of their adequacy in pursuing the objectives for preventing the risk of incurring any legal or administrative penalties, loss of assets or damage to the reputation following any breach of the law, regulations or provisions set forth by the Supervisory Authority or any self-regulatory provisions, focusing on compliance with the regulations related to transparency and correctness of the behaviours as regards the insured and any injured subject; the pre-contractual and contractual policies, the correct performance of the contracts as regards particularly the management of claims and more in general the protection of the consumer.

Actuarial Function: ensures, based on the applicable laws, that the methodologies and the assumptions formulated in the calculation of the technical provisions are appropriate as regards the specificity of the business lines and that they can, in general, guarantee an effective risk management system, especially as regards technical aspects and capital requirements.

## IT and technology development

The management of the information systems was aimed primarily at supporting the various business lines of the companies of the group: Salary-backed loans, Bancassurance, Brokers and digital channel.
In particular:

- the launch of new distribution agreements with banking partners was supported (three in the first half of 2022);
- a sale of impaired loans was carried out as they are no longer collectible.

Particular attention was paid to IT security, both by strengthening the controls and by increasing employee awareness (knowledge) of cybersecurity issues through specific training.
Management was then characterised by a continuous search for efficiency, improvement and automation of processes, with special attention paid to those areas with a significant presence of staff and extensive use of paper material.
The current management has been accompanied by important project activities, such as the transition to the new SAP accounting system, the internalisation of the medical tele-visit in the context of the salary-backed loan underwriting processes, the centralisation of all paper documentation in a single TPA (third party administrator).
Finally, from a purely technological point of view, a software layer has been developed that allows our products distributed on the digital channel to be available 24/7.
The development team was strengthened, also thanks to the support of external resources and the relationships with the main technology suppliers.
All the activities were carried out in full and continuous compliance with the investment budget as approved by the Board of Directors.

## STAFF

During the first half of 2022 - in addition to the consolidation of the new Smart Working system, which the Group intended to make its own distinctive feature in a flexible and dynamic work context, promoting a work culture based on results and empowerment of its employees - the renewal of the important Great Place to Work Italia recognition was also noted. This certification attests to a positive work environment, appreciated by its employees, with high quality HR processes.

In this context, within the scope of human resources enhancement and development, in addition to the great commitment to training activities – 9 different training courses were provided in the first half of the year for a total of 55 hours of training – as a strategic variable capable of bringing a real competitive advantage to the entire organisation, and to the use of job rotation as a major element of company enrichment and at the same time a path of professional growth, we would like to highlight the launch of a new HR Development process, aimed at enhancing, recognising and fostering the professional growth of our personnel, with a particular focus on key people.

The objective is to consolidate the sense of belonging to the Group and the quality of the commitment made, giving continuity to the work performance of the professional figures considered strategic for the achievement of the company's objectives, through the adequate retention of these resources and providing mechanisms to protect the future stability of the employment relationship.

The number of employees of the NET Group as at 30 June 2022, compared with that as at 31 December 2021, is broken down as follows:

**Table No. 24 – Staff**

| Staff | 06-2022 | 2021 | Changes |
|---|---|---|---|
| Executives | 6 | 6 | 0 |
| Officers | 16 | 16 | 0 |
| 6th level Middle managers | 19 | 17 | +2 |
| Employees | 86 | 79 | +7 |
| Total | 127 | 118 | +9 |

On the basis of what is shown in the table, it should be noted:

- that the 127 resources in force as at 30 June included 7 employees with fixed-term employment (expiring by 2022);
- that as at 30 June 2022, there were also 3 internships.

Finally, the turnover recorded in the first half of 2022 is as follows:

- Internal: 1 employee
- External: 11 hires - 2 terminations

## EQUITY AND ECONOMIC TRANSACTIONS WITH INTRA-GROUP AND RELATED PARTIES

As at 30 June 2022, there were no Related Parties transactions that were atypical or unusual with respect to normal operations. In particular, all transactions with Related Parties were carried out under market conditions. With regard to the information provided in Article 2497-bis of the Italian Civil Code, the parent company Net Insurance wholly owns Net Insurance Life, with which credit/debit transactions were in place as at 30 June 2022.

As at 30 June 2022, the parent company has transactions with the following Related Parties: (i) Net Insurance Life (entity wholly owned by the parent company); (ii) IBL Banca S.p.A. (entity having significant influence over the parent company); (iii) IBL Assicura S.r.l. (entity controlled by Related Party IBL Banca S.p.A.); (iv) Banca Antonio Capasso S.p.A. (entity controlled by Related Party IBL Banca S.p.A.); and (v) KT&Partners S.r.l. (entity controlled by a close family member of a director of the parent company). On the same date, the transactions with Related Parties are:

- the insurance coverages issued by the Group in combination with loans repayable through the Salary-backed loans granted by IBL Banca S.p.A. pursuant to the insurance agreements stipulated with IBL Banca S.p.A. as part of the Salary-backed loans segment;
- the relationships arising from the distribution agreements with (i) IBL Assicura S.r.l., an insurance intermediary registered in Section A (agents) of the RUI - IVASS controlled by IBL Banca S.p.A., which, as at 30 June 2022, distributes 8 family protection products; and (ii) Banca Antonio Capasso S.p.A, an insurance intermediary registered in Section D of the RUI - IVASS controlled by IBL Banca S.p.A., which, as at 30 June 2022, distributes 11 protection products for families and businesses;
- credit ratio generated by the subordinated ten-year bond (Tier II), issued by Net Insurance Life in November 2016, amounting to 5,000,000.00 Euros, with a ten-year term, fully subscribed by the parent company;
- the service contract (intercompany cost recharging agreement) between the parent company and Net Insurance Life for the provision of operational support/assistance services, starting from 1 February 2020 and expiring 31 December 2022. The contract includes a tacit renewal clause for periods of one year, unless terminated by one of the parties. Each party may also terminate the contract by means of a written notice to be sent to the other party 60 days in advance. The cost of the services provided by Net Insurance Life to the parent company amounts to a total of 646,644.00 Euros;

- the amount due to IBL Banca S.p.A. deriving from the portion of the Convertible Bond, issued by the parent company, and subscribed by IBL itself on 17 December 2020, totalled a nominal amount of 500,000 Euros.
- the amount due to IBL Banca S.p.A. arising from the portion of the Bond issued by the parent company and subscribed by IBL itself on 28 September 2021; and
- the annual consultancy contract with tacit renewal, for research activities on the Net Insurance Company's securities, carried out by KT&Partners S.r.l. for a gross annual amount of 24,400.00 Euros.

Below we provide, among other things, details of the relationships between the Companies of the Net Insurance Group.

As at 30 June 2022, in accordance with Regulation No. 30/2016 (Policy on intra-group transactions), the intra-group transactions carried out among the companies of the Net Insurance Group - including transactions with related parties - were as follows:

- credit ratio generated by the subordinated ten-year bond (Tier II), issued by the subsidiary in November 2016, amounting to 5,000 thousand Euros, fully subscribed by the Parent Company Net Insurance S.p.A.;
- the coupon relating to the interest on the bond loan referred to in the previous point;
- the participation in the VAT group by the companies of the Net Insurance Group. In fact, as a result of the option exercised in September 2019, the Companies joined the VAT Group as from 1 January 2020 and, by joining the VAT Group, any service provided by Net Insurance to Net Insurance Life (and vice versa) will benefit from not being subject to VAT.

There have always been strong interrelationships between the entities of the Net Insurance Group as there are functions/persons with specific expertise that operate for both entities of the Group. Therefore, the strategy pursued by the Group has been not to burden the business structures of the individual entities with high staff costs, but to make available to the individual entities the specialist tasks they need through the exploitation and sharing of the skills present within the Group.

This approach has made it possible to keep the operating structures of the individual entities sufficiently streamlined, creating strong competencies and, at the same time, to centrally manage the support they need, allowing for obvious synergies given that, within the Group, there is a single operating unit within the Group that provides specific know-how that can be used by all Group companies.

All Inter-company activities were also mapped, and two service contracts were drawn up governing the services between the two Companies.

With regard to other intra-group transactions in place as at 30 June 2022, it should be noted that:

- on 17 December 2020, the shareholder IBL Banca subscribed a portion of the subordinated Tier II bond, convertible into treasury shares, issued by NET and listed on the Vienna MTF (a nominal amount of 500,000 Euros of the bond issued). The bond has a term of ten years, with the issuer having the option to call the bond in advance as of the fifth year. The coupon rate is 4.60% fixed (on an annual basis) and payable in two semi-annual coupons;
- on 28 September 2021 IBL Banca subscribed the amount of 500,000 Euros of the subordinated tier II bond issued by NET and listed on the Vienna MTF. As for the characteristics of the financial instrument issued, it should be noted that the bond was issued for a total nominal amount of 12,500,000 Euros and has a duration of 10 years, with the Issuer having the right to call the obligation in advance starting from the 5th year. The instrument pays a fixed rate coupon of 5.10% (on an annual basis).
- the annual consultancy contract with tacit renewal, for research activities on the Net Insurance security carried out by KT&Partners, which became a related party following the appointment (on 24 March 2020) of the Independent Director, Mr Anna Doro;

With regard to other intra-group and related party transactions that took place in the first half of 2022, note also:

- the distribution of dividends, by Net Insurance, to certain related parties and intra-group counterparties of the Company, equal to 0.1711 Euros per ordinary share;
- the distribution of a dividend, by Net Insurance Life, to the Parent Company, equal to 0.0695 Euros per ordinary share.

All the aforementioned intra-group transactions, with the exception of transactions with IBL Banca and KT&Partners, and the distribution of dividends, in the context of this report, were not taken into account for consolidation purposes.

The Group Companies are required to comply with the following provisions:

- the Guidelines and Procedure for Related Party Transactions approved by the Board of Directors and available on the website of the Group Companies;
- the Policy on Intra-group Transactions approved by the Board of Directors pursuant to IVASS Regulation No. 30/2016.

# OTHER INFORMATION

## Claims & Operations dispute

As at 30 June 2022, Net Insurance SpA had 2 litigation positions in progress, in the "Claims & Operations" area: the first relates to a claim for "Permanent Invalidity due to Illness", set aside in the reserve for 40 thousand Euros, and the second relates to a claim for "Building Fire", set aside in the reserve for 30 thousand Euros. The chances of the dispute being resolved in favour of the Group are promising.

The Net Insurance Group is part of a pending liability dispute relating to the commercial area, for which the Group has set aside 17 thousand Euros, against a total petitum of 25 thousand Euros.

## Technical and Reinsurance dispute

With reference to the insurance dispute relating to “hail and suretyship” risks, at the Date of the Statement, there are no pending positions.

## Legal Affairs dispute

As at 30 June 2022, the Group's litigation-related costs amounted to approximately 70 thousand Euros (78 positions) and related to the request for reimbursement of the accrued premium for early repayment of the Salary-backed loan.

As at 30 June 2022, legal actions continue in relation to a fraud on the assets stolen from the Group, as described below, in which the Group is an active party.

Specifically, the Group's companies suffered a shortfall of Italian government bonds amounting to approximately 26.67 million Euros, discovered in March/April 2019 – following the radical change in their governance and ownership structure that took place at the beginning of 2019 – and dating back to the 2017 financial year (an event defined as a "**black swan**" in order to characterise the severity and uniqueness of its occurrence).

The companies initiated actions to recover the sums unduly stolen. Up to 30 June 2022, 11.16 million Euros have actually been recovered. Legal actions are underway to recover the amounts still outstanding in the following areas.

*a. breach by Mr Gianluigi Torzi and Sunset Financials Ltd of a settlement agreement entered into by them in relation to the return of stolen assets*

Following the default by Mr Gianluigi Torzi and Sunset Financials Ltd of a settlement agreement for 18.67 signed by them in relation to the stolen assets repayment plan of 21 July 2019, the Group took action against Mr Torzi and Sunset Financials.

On 8 March 2022, a conciliation agreement was reached on the basis of which Mr Gianluigi Torzi undertakes to pay the Group companies an amount equal to 550 thousand Euros by 30 November 2022.

This settlement is without prejudice to all other contractual obligations arising under the Settlement Agreement especially in respect of Sunset Financials Ltd, as ruled by the High Court in London and more generally those relating to the payment by Sunset Financials Ltd of 10 million Euros in respect of the third instalment of the Settlement Agreement and the other tranches of 8.676 million Euros. Should Mr Gianluigi Torzi default on his payment obligation due on 30 November 2022, the Group will reserve further actions.

As at 30 June 2022 the Group is awaiting the setting of the first hearing in the case against Sunset Financials Ltd in Malta.

*b. failure to repay the bond issued by Augusto*

On 2 November 2021, an agreement (the "**Settlement Agreement**") was signed between Net Insurance, Net Insurance Life and Augusto.

With this Settlement Agreement, only Net Insurance and Augusto settled the dispute relating to the Net Injunction and the corresponding objection, through the definitive payment by Augusto of the all-inclusive amount of 3.8 million Euros with waiver of the objection and the return to Augustus of 38 bonds. The parties have committed to implement the agreement by 30 September 2022.

With reference to the Net Life Injunction, i.e. the remaining claim amounting to 6.2 million Euros, by means of the Settlement Agreement, the parties also agreed that – in the event that the Ordinary Court of Milan should order the provisional enforceability of said injunction challenged – the amount imposed will be paid by Augusto in favour of the subsidiary Net Insurance Life with the sale of Augusto's equity investments and, nonetheless, by 30 September 2022.

On 6 June 2022, The Court of Milan decided to reject – with an interim measure subject to reform in the course of the proceedings – the request for the provisional enforceability of the Net Life Injunction, deeming it appropriate at this stage to first assess all the evidence by assigning to the parties the terms for the submission of preliminary briefs pursuant to Art. 183, paragraph 6, of the Italian Code of Civil Procedure.

Net Insurance Life on 11 July 2022 again requested the granting of the provisional enforceability of the Net Life Injunction.

As for Augusto's restructuring agreement, it was approved on 14 January 2022 by the Court of Milan.

With reference to the litigation initiated by the Group and the joint representative of the bondholders against Augusto – concerning the challenge of the 2019 financial statements and, *incidenter tantum*, of the 2017 and 2018 financial statements – the presiding Ordinary Court of Milan, (i) first ordered Augusto to present the opinions issued by two professionals appointed by the same and forming the basis of a liability action approved by the shareholders' meeting against some of its former directors regarding the events connected with the management of the Augusto Bond and (ii) lastly, postponed the proceedings to the hearing for the clarification of the conclusions scheduled for 14 February 2023.

*c. liability actions against the auditing company BDO Italia S.p.A., the former Chief Executive Officer and General Manager, the former Chief Financial Officer of Net Insurance and Director of Net Insurance Life S.p.A. and the former Director of Net Insurance.*

As at 30 June 2022, proceedings are pending against the former directors and managers and the auditing company BDO Italia S.p.A., all of whom had relationships with the Group in the 2017 and 2018 financial years.

On the subject, it is reported that during the hearing of 19 October 2021, the parties asked for the granting of the terms for the exchange of briefs pursuant to art. 183, paragraph 6, of Italian Code of Civil Procedure and the judge took it under advisement.

As at 30 June 2022 the reserve has not been lifted.

*d. labour lawsuit regarding the former managing director and chief executive officer and the former chief financial officer of Net Insurance*

The previous managing director and general manager and the former chief financial officer, with an appeal pursuant to article 414 of the Italian Code of Civil Procedure, sued Net Insurance to ascertain and declare the unlawfulness of the dismissal imposed by the parent company Net Insurance.

On 11 March 2022, the parent company Net Insurance and the former chief financial officer reached an agreement on the basis of which the former chief financial officer waived his right to appeal against the ruling – in favour of Net Insurance – and undertook to pay the parent company Net Insurance an amount equal to 5,000.00 Euros as partial repayment pursuant to Article 2033 of the Italian Civil Code of the greater amount due by way of bonus, with the consequent waiver of the parent company Net Insurance to execute the sentence. With reference to the former chief financial officer, the Judge on 28.06.2022 declared the case dismissed.

On 25 March 2022, the parent company Net Insurance and the former managing director and general manager signed an agreement, pursuant to which the parent company Net Insurance paid the total net amount of 3,823.99 Euros, as well as 2,674.15 Euros for reimbursement of medical expenses, in settlement of the severance pay, and the former managing director and general manager waived the appeal against the ruling – which was in favour of Net Insurance – as well as the acts and action in relation to the judgement challenging the resolutions of the 2017 financial statements and the 2018 financial statements. At the same time, the parent company Net Insurance waived the implementation of the ruling.

### Own shares of the Parent Company

As at 30 June 2022, the Parent Company held 1,989,933 treasury shares in its portfolio, representing 10.75% of the total ordinary shares issued by the Parent Company.

## BUSINESS OUTLOOK

In the second half of 2022, further efforts will be made to strengthen the Group's presence in the Salary-backed loan "core" segment through:

- the digital approach and a progressive integration with the systems of the various banking partners so as to allow a simplification of management and a greater speed in the feedback;
- the automation of document checks in the area of underwriting salary-backed loans with the help of artificial intelligence tools;
- the use of the Group's depth of technical data on the Salary-backed loan (2001-2021) as the basis of every decision-making process and a tool to facilitate the implementation of new projects and products. The Group aims to consolidate with all partners in the Salary-backed loan segment, the use of more in-depth risk assessment procedures aimed at allowing an overall subjective and objective examination of each risk, also with the help of new indicators/score; this will benefit, among other things, the lending institutions themselves as support in setting up targeted commercial campaigns.

Lastly, still on the subject of salary-backed loans, periodic portfolio checks and assessments should be noted, also in the light of contingent economic and macroeconomic scenarios.

At the same time, in the Bancassurance and Broker segments:

- activities aimed at developing new partnerships will continue;
- the product catalogue of the current distribution partners will be expanded.

In particular, for the third quarter of 2022 it is planned the following:

- the operational launch of the distribution agreement with Banca di Credito Popolare S.c.p.A., through the marketing of Credit Protection products connected to mortgages;
- the authorisation of Banca Popolare del Lazio S.c.p.A. and Blu Banca S.p.A. to offer credit protection products linked to mortgages;
- the production of an updated version of the Life and Non-Life multi-risk product "Protection Business", distributed by Cassa di Risparmio di Bolzano S.p.A., a version that introduces, among other things, a Financial Losses coverage for Cyber risks.

With regard to Digital, the development of this strategic pillar will continue, which through its tools will allow, on the one hand, to digitise all the legacy processes at the basis of business processes and, on the other hand, the distribution of competitive and flexible protection products designed to meet the needs of distribution partners, in order to enrich their product catalogue.

## SIGNIFICANT EVENTS OCCURRED AFTER THE REPORTING PERIOD

With regard to the significant events after the close of the first half of the year, the following should be noted:

- on 27 July 2022, by provision No. 0463794/22, CONSOB approved the prospectus relating to the listing of the Company's ordinary shares and warrants on Euronext STAR Milan, organised and managed by Borsa Italiana S.p.A.;
- on 28 July 2022, the Prospectus was published by filing with CONSOB; on the same date, Borsa Italiana ordered, as per notice No. 29887, the start of trading of the ordinary shares and warrants of Net Insurance S.p.A. on Euronext STAR Milan, organised and managed by Borsa Italiana, on 1 August 2022 and their simultaneous withdrawal from trading on Euronext Growth Milan.
- On 28 July 2022, the commercial sponsorship agreement between the parent company Net insurance SpA and the Italian federation Giuoco Calcio, with the Italian referees association, was renewed until 2025.

Rome, 4 August 2022

**THE BOARD OF DIRECTORS**
*Luisa Todini (Chairperson)*

# Net Insurance Group

# STATEMENTS

# CONSOLIDATED FINANCIAL STATEMENTS

E-MARKET SDIR CERTIFIED

**NET INSURANCE** **CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS**

**BALANCE SHEET - ASSETS** **FY: 2022**

*(amounts in Euro)*

**Statement Code: SCSTPATR**

| | | 30-06-2022 | 31-12-2021 |
|---|---|---|---|
| **1** | **INTANGIBLE ASSETS** | **7,490,947** | **6,147,105** |
| 1.1 | Goodwill | 0 | 0 |
| 1.2 | Other intangible assets | 7,490,947 | 6,147,105 |
| **2** | **TANGIBLE ASSETS** | **15,224,694** | **15,306,183** |
| 2.1 | Property | 14,533,376 | 14,645,000 |
| 2.2 | Other tangible assets | 691,318 | 661,183 |
| **3** | **TECHNICAL RESERVES ATTRIBUTABLE TO REINSURERS** | **237,510,636** | **213,648,941** |
| **4** | **INVESTMENTS** | **210,049,830** | **201,460,185** |
| 4.1 | Investment property | 0 | 0 |
| 4.2 | Investments in subsidiaries, associates and joint ventures | 0 | 0 |
| 4.3 | Held-to-maturity investments | 0 | 0 |
| 4.4 | Loans and receivables | 0 | 0 |
| 4.5 | Financial assets available for sale | 210,049,830 | 201,460,185 |
| 4.6 | Financial assets at fair value through income statement | 0 | 0 |
| **5** | **OTHER RECEIVABLES** | **83,887,110** | **63,401,433** |
| 5.1 | Receivables arising out of direct insurance transactions | 56,395,445 | 45,351,755 |
| 5.2 | Receivables arising out of reinsurance transactions | 24,626,863 | 12,573,942 |
| 5.3 | Other receivables | 12,864,802 | 5,475,736 |
| **6** | **OTHER ASSET ITEMS** | **27,874,134** | **24,046,061** |
| 6.1 | Non-current assets or assets of a disposal group held for sale | 0 | 0 |
| 6.2 | Deferred acquisition costs | 5,101,148 | 4,957,971 |
| 6.3 | Deferred tax assets | 13,377,334 | 9,161,418 |
| 6.4 | Current tax assets | 1,320,054 | 1,320,054 |
| 6.5 | Other assets | 8,075,597 | 8,606,618 |
| **7** | **CASH AND CASH EQUIVALENTS** | **4,405,849** | **9,656,818** |
| | **TOTAL ASSETS** | **596,443,200** | **533,666,726** |

**NET INSURANCE** **CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS**

**BALANCE SHEET - EQUITY AND LIABILITIES** **FY: 2022**

*(amounts in Euro)*

**Statement Code: SCSTPATR**

| | | 30-06-2022 | 31-12-2021 |
|---|---|---|---|
| **1** | **EQUITY** | **78,377,635** | **88,776,323** |
| **1.1** | **pertaining to the Group** | 78,377,635 | 88,776,323 |
| 1.1.1 | Share capital | 17,615,050 | 17,615,050 |
| 1.1.2 | Other equity instruments | 0 | 0 |
| 1.1.3 | Capital reserves | 63,715,543 | 63,715,543 |
| 1.1.4 | Profit reserves and other equity reserves | 15,007,044 | 6,530,299 |
| 1.1.5 | (Own shares) | (9,775,130) | (9,775,130) |
| 1.1.6 | Net foreign exchange differences reserve | 0 | 0 |
| 1.1.7 | Profit or losses on financial assets available for sale | (13,853,183) | (394,558) |
| 1.1.8 | Other profit and losses recognised in equity | (218,819) | (218,223) |
| 1.1.9 | Profit (losses) for the period pertaining to the Group | 5,887,130 | 11,303,342 |
| **1.2** | **attributable to minority interest** | **0** | **0** |
| 1.2.1 | Share capital and minority interest | 0 | 0 |
| 1.2.2 | Profit and losses recognised directly in equity | 0 | 0 |
| 1.2.3 | Profit (losses) for the period attributable to minority interest | 0 | 0 |
| **2** | **PROVISIONS** | **250,734** | **476,431** |
| **3** | **TECHNICAL RESERVES** | **406,953,087** | **362,106,318** |
| **4** | **FINANCIAL LIABILITIES** | **17,026,723** | **17,018,790** |
| 4.1 | Financial liabilities at fair value through income statement | 382,147 | 374,214 |
| 4.2 | Other financial liabilities | 16,644,576 | 16,644,576 |
| **5** | **PAYABLES** | **82,128,484** | **59,492,083** |
| 5.1 | Payables arising out of direct insurance transactions | 3,582,833 | 5,646,794 |
| 5.2 | Payables arising out of reinsurance transactions | 63,177,042 | 37,321,953 |
| 5.3 | Other payables | 15,368,609 | 16,523,336 |
| **6** | **OTHER LIABILITY ITEMS** | **11,706,538** | **5,796,781** |
| 6.1 | Liabilities of an available-for-sale group | 0 | 0 |
| 6.2 | Deferred tax liabilities | 8,368,936 | 4,081,646 |
| 6.3 | Current tax liabilities | 0 | 0 |
| 6.4 | Other liabilities | 3,337,601 | 1,715,135 |
| | **TOTAL EQUITY AND LIABILITIES** | **596,443,200** | **533,666,726** |

**NET INSURANCE** **CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS**

**FY: 2022**

*(amounts in Euro)*

| ***INCOME STATEMENT*** | | **30-06-2022** | **30-06-2021** |
|---|---|---|---|
| **1.1** | Net premiums | **32,361,388** | **28,550,214** |
| 1.1.1 | Gross premiums earned | 78,710,722 | 65,318,098 |
| 1.1.2 | Premiums ceded to relevant reinsurance | (46,349,334) | (36,767,884) |
| **1.2** | Commission income | **0** | **0** |
| **1.3** | Financial income and charges from financial instruments designated at fair value through income statement | **0** | **0** |
| **1.4** | Income from investments in subsidiaries, associates and joint ventures | **0** | **0** |
| **1.5** | Income from other financial instruments and investment properties | **2,012,769** | **2,622,676** |
| 1.5.1 | Interest income | 977,589 | 904,524 |
| 1.5.2 | Other income | 982,290 | 1,005,694 |
| 1.5.3 | Realised profit | 52,891 | 712,459 |
| 1.5.4 | Valuation income | 0 | 0 |
| **1.6** | Other revenues | **1,740,977** | **2,031,227** |
| **1** | **TOTAL REVENUES AND INCOME** | **36,115,134** | **33,204,117** |
| **2.1** | Net expenses from claims | **20,229,616** | **16,393,210** |
| 2.1.1 | Amounts paid and changes in technical reserves | 52,588,300 | 40,920,176 |
| 2.1.2 | Reinsurers' shares | (32,358,684) | (24,526,966) |
| **2.2** | Commission expenses | **0** | **0** |
| **2.3** | Charges from investments in subsidiaries, associates and joint ventures | **0** | **0** |
| **2.4** | Charges from other financial instruments and investment properties | **987,949** | **833,361** |
| 2.4.1 | Interest expenses | 292,657 | 382,094 |
| 2.4.2 | Other charges | 447,566 | 329,984 |
| 2.4.3 | Realised losses | 30,477 | 95,177 |
| 2.4.4 | Valuation losses | 217,249 | 26,107 |
| **2.5** | Operating expenses | **4,738,534** | **5,663,581** |
| 2.5.1 | Commissions and other acquisition expenses | 1,619,887 | 2,613,192 |
| 2.5.2 | Investment operating expenses | 540,771 | 499,665 |
| 2.5.3 | Other administrative expenses | 2,577,875 | 2,550,724 |
| **2.6** | Other costs | **2,269,939** | **3,054,954** |
| **2** | **TOTAL CHARGES AND EXPENSES** | **28,226,038** | **25,945,106** |
| | **PROFIT (LOSS) FOR THE YEAR BEFORE TAXES** | **7,889,096** | **7,259,011** |
| **3** | Taxes | 2,001,965 | 23,275 |
| | **PROFIT(LOSS) FOR THE YEAR NET OF TAXES** | **5,887,131** | **7,235,737** |
| **4** | **PROFIT (LOSS) FROM DISCONTINUED OPERATIONS** | **0** | **0** |
| | **CONSOLIDATED PROFIT (LOSS)** | **5,887,131** | **7,235,737** |
| | **of which pertaining to the Group** | 5,887,131 | 7,235,737 |
| | **of which pertaining to minority interest** | 0 | 0 |

**NET INSURANCE**

**CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS**
**FY: 2022**

**COMPREHENSIVE INCOME STATEMENT**

**model code: SCCONECC**

| COMPREHENSIVE INCOME STATEMENT | 30-06-2022 | 30-06-2021 |
|---|---|---|
| **CONSOLIDATED PROFIT (LOSS)** | **5,887,131** | **7,235,737** |
| **Other comprehensive income, after taxes, without reclassification through income statement** | | |
| Changes in equity of investees | | |
| Changes in revaluation reserve of intangible assets | | |
| Changes in revaluation reserve of tangible assets | | |
| Income and charges related to non-current assets or to a disposal group held for sale | | |
| Actuarial profit and losses and adjustments related to defined-benefit plans | (596) | (113,435) |
| Other items | 0 | 0 |
| **Other comprehensive income, after taxes, with reclassification through the income statement** | | |
| Changes in the net foreign exchange differences reserve | | |
| Profit or losses on financial assets available for sale | (13,458,626) | (801,905) |
| Profit or losses on financial flow hedging instruments | | |
| Profit or losses on hedging instruments of a net investment in a foreign operation | | |
| Changes in equity of investees | | |
| Income and charges related to non-current assets or to a disposal group held for sale | | |
| Other items | 0 | 0 |
| **TOTAL OTHER ITEMS OF THE COMPREHENSIVE INCOME STATEMENT** | **(13,459,222)** | **(915,340)** |
| **TOTAL CONSOLIDATED COMPREHENSIVE INCOME STATEMENT** | **(7,572,091)** | **6,320,397** |
| **of which pertaining to the Group** | (7,572,091) | 6,320,397 |
| **of which pertaining to minority interest** | | |

**NET INSURANCE** **HALF-YEARLY FINANCIAL STATEMENTS**
**FY: 2022**

**STATEMENT OF CASH FLOWS (indirect method)**

| | 30/06/2022 | 30/06/2021 |
|---|---|---|
| **Profit (loss) for the year before taxes** | **7,889,096** | **7,259,011** |
| **Changes in non-monetary items** | **20,839,094** | **17,186,318** |
| Changes in non-life premium reserve | 9,719,511 | 9,596,302 |
| Changes in claims provision and other non-life technical reserves | 2,331,956 | 2,525,152 |
| Changes in mathematical reserves and other Life technical reserves | 8,933,607 | 5,952,035 |
| Changes in deferred acquisition costs | 143,178 | (493,578) |
| Changes in provisions | (225,697) | (220,061) |
| Non-monetary income and charges from financial instruments, investment property and equity investments | 0 | 0 |
| Other changes | (63,460) | (173,532) |
| **Changes in receivables and payables generated by operating activities** | **(7,849,277)** | **(738,040)** |
| Changes in receivables and payables from direct insurance and reinsurance transactions | 694,517 | (129,977) |
| Changes in other receivables and payables | (8,543,794) | (608,062) |
| **Income tax paid** | **0** | **0** |
| **Net liquidity generated/absorbed from monetary items related to investment and financial activities** | **0** | **0** |
| Liabilities from financial contracts issued by insurance companies | 0 | 0 |
| Amounts owed to banking and interbank customers | | 0 |
| Loans and receivables from banking and interbank customers | 0 | 0 |
| Other financial instruments designated at fair value through income statement | 0 | 0 |
| **TOTAL NET LIQUIDITY FROM OPERATING ACTIVITIES** | **20,878,913** | **23,707,290** |
| | | |
| Net liquidity generated/absorbed from investment property | 0 | 0 |
| Net liquidity generated/absorbed from investments in subsidiaries, associates and joint ventures | 0 | 0 |
| Net liquidity generated/absorbed from loans and receivables | 0 | 0 |
| Net liquidity generated/absorbed from held-to-maturity investments | 0 | 0 |
| Net liquidity generated/absorbed from financial assets available for sale | (8,589,645) | (12,997,323) |
| Net liquidity generated/absorbed from tangible and intangible assets | (1,262,352) | 102,886 |
| Liquidity generated/absorbed from investment activities | 0 | 0 |
| **TOTAL NET LIQUIDITY FROM INVESTMENT ACTIVITIES** | **(9,851,997)** | **(12,894,437)** |
| | | |
| Net liquidity generated/absorbed from capital instruments pertaining to the Group | (13,459,222) | (915,340) |
| Net liquidity generated/absorbed from own shares | 0 | 0 |
| Distribution of dividends pertaining to the Group | (2,826,596) | (720,714) |
| Net liquidity generated/absorbed from share capital and reserves pertaining to minority interests | | |
| Net liquidity generated/absorbed from subordinated liabilities and investment financial instruments | 7,933 | (400,000) |
| Net liquidity generated/absorbed from other financial liabilities | | |
| **TOTAL NET LIQUIDITY FROM FINANCING ACTIVITIES** | **(16,277,885)** | **(2,036,054)** |
| | | |
| **Effect from foreign exchange differences on cash and cash equivalents** | | |
| | | |
| **CASH AND CASH EQUIVALENTS AT THE OPENING OF THE YEAR** | **9,656,818** | **9,357,551** |
| INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS | (5,250,969) | 8,776,799 |
| **CASH AND CASH EQUIVALENTS AT THE CLOSING OF THE YEAR** | **4,405,849** | **18,134,350** |

NET INSURANCE

CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

FY: 2022

## STATEMENT OF CHANGES IN EQUITY

Statement Code: SCVARPAT

| | | Amounts as at 31-12-2021 | Changes in closing balances | Allocations | Reclassification adjustments in Income Statement | Transfers | Changes in shareholdings | Amounts as at 30-06-2022 |
|---|---|---|---|---|---|---|---|---|
| Equity pertaining to the Group | Share capital | 17,615,050 | | 0 | | | | 17,615,050 |
| | Other equity instruments | | | | | | | 0 |
| | Capital reserves | 63,715,543 | | 0 | | | | 63,715,543 |
| | Profit reserves and other equity reserves | 6,530,299 | | (2,826,596) | | 11,303,342 | | 15,007,044 |
| | (Own shares) | (9,775,130) | | 0 | | | | (9,775,130) |
| | Profit (loss) for the half year | 11,303,342 | | 5,887,131 | | (11,303,342) | | 5,887,131 |
| | Other items of the comprehensive income statement | (612,781) | | (13,459,222) | | | | (14,072,003) |
| | **Total pertaining to the Group** | **88,776,323** | | **- 10,398,687** | | **-** | | **78,377,635** |
| Equity pertaining to minority interest | Share capital and minority interest | | | | | | | |
| | Profit (loss) for the half year | | | | | | | |
| | Other items of the comprehensive income statement | | | | | | | |
| | **Total pertaining to minority interest** | | | | | | | |
| **Total** | | **88,776,323** | | **- 10,398,687** | | **-** | | **78,377,635** |

The Company's legal representatives (*)

Ms Luisa Todini – Chairperson ..........................................................................................(**)

Mr Andrea Battista – Chief Executive Officer .............................................................(**)

(*) For foreign companies, the signature must be affixed by the general representative for Italy.

(**) Indicate the position held by the signatory.

# NOTES TO THE FINANCIAL STATEMENTS

## The Group and its core activities

Net Insurance S.p.A. is the Non-Life Parent Company part of the Net Insurance Group, which mainly operates in the Pension/Salary-backed Loan business. The Group's mission is to meet credit protection requirements.

The Group is engaged both in Non-Life and Life insurance. The subsidiary, Net Insurance Life S.p.A., operates in Life Segment I - insurance on human life length - only for "term life" insurance policies and in Segment IV in respect of Long Term Care coverage.

The Group is headquartered in Rome, in Via Giuseppe Antonio Guattani, No. 4.

## Financial statements

The Net Insurance Group, being an insurance group subject to IVASS supervision, is required to submit the Half-Yearly consolidated financial statements (balance sheet, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement) and attachments, in accordance with ISVAP Regulation No. 7 of 13 July 2007, as amended.

## Adopted accounting principles and statement of compliance with International Accounting Standards

The Half-Yearly consolidated financial statements as at 30 June 2022 were drafted in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, in force and approved by the European Union under the procedure set forth by EU Regulation 1606/2002 and by Italian Legislative Decree No. 209/2005 and Italian Legislative Decree No. 38/2005.

By International Financial Reporting Standards (IFRS) we mean all the international accounting standards referred to as "International Financial Reporting Standards" (IFRS) and "International Accounting Standards" (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor Standard Interpretations Committee (SIC).

The financial statements were drafted in view of the company’s ongoing concern.

The principles and accounting policies adopted for the drafting of the Half-Yearly consolidated financial statements as at 30 June 2022 are the same as those used for the financial statements as at 31 December 2021 to which reference is made.

It should be noted that since the Half-Yearly financial statements is an interim report, the use of estimates - in line with management results - was required for certain balance sheet and income statement items. In particular, with regard to:

- Technical provisions for current risks, claims and expenses, mathematical provisions of life insurance contracts and supplementary provisions for interest rates related to life insurance contracts.
  Please note that all policies in the portfolio, for both non-life and life businesses, as at 30 June 2022 fall within the IFRS 4 scope, and that no insurance contracts can be recorded having insurance risk elements borne by policyholders.
  The amount of the technical reserves for life and non-life insurance contracts is calculated based on specific actuarial criteria, according to the instructions and guidelines issued by the relevant monitoring bodies.
  The claims provisions are analytically determined through a review of the individual claims that are still open at the end of the year, also taking into account adequate allocations for IBNR claims, determined by appropriate statistical methods.
- Unrealised losses (impairment).
  At each reporting date, if valid evidence shows the existence of a permanent impairment, the value of the instrument is correspondingly adjusted (impairment), recording the cost in the Income Statement.
  IAS 39 provides that at each reference date of the financial statements, companies must check whether there is any objective evidence that a financial asset or group of financial assets have suffered an impairment loss. In order to determine the appropriate level adjustments value, directors check the presence of any objective evidence that may indicate the existence of an asset impairment. Impairment losses are measured as a function of the deterioration of the solvency of debtors and through a collective assessment based on a methodology that takes into account the past experiences that led to the cancellation of debts.

Estimates are also used to calculate provisions for employee benefits, taxes and other provisions. More details are provided in the specific explanatory notes.
In general, the final results in the following year may differ from the estimates that were originally recorded. Changes in the estimates are recognised in the income statement in the year in which they actually occur.

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# Contents of the Financial Statements

## a. Consolidated Income Statement and Balance sheet

The balance sheet, income statement and comprehensive income statement are made up of items and sub-items and other details.

## b. Statement of changes in consolidated shareholders' equity

The table shows the composition and changes in shareholders' equity during the year of reference and in the previous year, broken down into share capital, capital provisions, retained earnings, valuation of assets or liabilities, minority interests and the bottom line.

## c. Consolidated cash flow statement

The cash flow statement registered in the reference period and in the previous year was drawn up according to the indirect method, whereby the flows arising from operating activities are represented by net income adjusted for the effects of non-monetary operations. Cash flows are broken down into flows from operating activities, from investment activities and from financing activities.

## d. Contents of the Notes to the Financial Statements

The notes include the additional information required by IFRS and the information required by IVASS in the drafting of tables provided for in ISVAP Regulation No. 7 of 13 July 2007, as amended.

# NEW PROVISIONS IN APPLICATION OF THE IFRS

## IFRS 9 Financial Instruments (replacement of IAS 39).

On 24 July 2014 the International Accounting Standards Board (IASB) published the International Financial Reporting Standard (IFRS) 9 -- Financial Instruments.

This standard highlights the following aspects:

- a fair value measurement for all instruments that do not exclusively remunerate the credit risk;
- risk credit monitoring logics (also for the financial instruments represented by securities) which allow for the prompt identification and correct assessment of signs of impairment also for assessment purposes;
- adoption of forward-looking indicators and assumptions that are more stringent than in the normal practice; greater correlation between return from financial instruments and risk level (related risk approach).

The application of the standard is mandatory starting from 1 January 2018 following the endorsement dated 29 November 2016. In September 2016, the amendment ''Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts Amendments to IFRS 4'' was issued, allowing the insurance companies to defer the entry into effect of the IFRS 9 standard (deferral approach) until the entry into force of IFRS 17, which will replace the current IFRS 4, or to hold, under equity, the greater volatility resulting from the new standards on single securities ("overlay approach"). The First Time Adoption date for companies that adopt the deferral or overlay approach is set for 1 January 2023.

## IFRS 17 Insurance Contracts

On 28 May 2017, IASB published a Standard on insurance contracts, IFRS 17. The assessing method of the standard is based on three accounting models that allow for estimating the insurance contracts based on current values:

- general accounting model ("Building Block Approach") based on the expected value of the future cash flows, weighted and adjusted based on a risk factor and providing for the suspension of the expected profit ("Contractual Service Margin") at the time of execution of the contract;
- Premium Allocation Approach, an alternative mode, simplified compared with the general accounting model, applicable to insurance contracts with a covered contractual period equal to or less than one year;

- Variable Fee Approach, a mandatory model for measuring the contracts characterised by a direct shareholding of underlying assets (e.g. Separate Management and Unit Linked).

IASB has finally approved the postponement of the application of the Standard to 1 January 2023, also following the necessary considerations related to COVID-19

## EVOLUTION OF SECTOR REGULATIONS

The IVASS regulations introduced in the first half of 2022 are as follows:

IVASS Regulation No. 50 of 3 May 2022 containing provisions relating to the communication to IVASS of data and information on non-life premiums written by companies through individual intermediaries and through management activities

The Regulation introduces the obligation of annual transmission, also by companies operating in Non-life insurance sector, of information on the insurance activities carried out in Italy in said sector by filling in the "Intermediaries" section of the document governed by Article 28-sexies of IVASS Regulation No. 44/2019 for companies operating in life classes.

### Provision No. 121 of 7 June 2022

This measure introduces amendments and additions to the IVASS regulation No. 7 of 13 July 2007 concerning the layouts for the financial statements of insurance and reinsurance companies which are required to adopt the international accounting standards referred to in title VIII (financial statements and accounting records), chapter I (general provisions on the financial statements), chapter II (financial statements), chapter III (consolidated financial statements) and chapter V (statutory audit) of the Italian legislative decree of 7 September 2005, No. 209 - private insurance code.

This measure amends ISVAP Regulation No. 7 of 13 July 2007 and its annexes in order, above all, to incorporate the changes introduced by IFRS 17 concerning the presentation and disclosure of accounting items relating to insurance contracts. The intervention falls within the scope of the insurance budget powers attributed to IVASS by the Italian legislator (see Italian Legislative Decree No. 209 of 7 September 2005 approving the Code of Private Insurance (hereinafter also "CAP"), Article 90)

.

## Principles of consolidation (IAS 27)

### Subsidiaries

Subsidiaries are entities subject to the control of the Group. Control can be exerted when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing the existence of control, the potential exercisable voting rights are taken into consideration. The financial statements of subsidiaries are included in the Half-Yearly consolidated financial statements from the time when the Parent Company starts to exercise control until the date control ceases. Given the particular structure of the Group, it was not necessary to standardise the accounting policies of the subsidiary with those of the parent company.

### Associated companies (shareholdings accounted for using the net equity method)

Associated companies are entities, whose financial and operating policies are subject to the Group's influence, although it has no control. It is assumed that there is significant influence when the Group owns between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost. The Group's holdings include goodwill identified on acquisition, net of accumulated impairment losses. The Half-Yearly consolidated financial statements include the portion of the Group's profits or losses of Associated companies, accounted for using the equity method, net of adjustments necessary to align the accounting policies with those of the Group, from the date of start of the significant influence or joint control until the date on which such influence or control shall cease. When the Group's losses of an investment accounted for under the equity method exceeds the carrying value of the Associated company (including long-term holdings), the Group eliminates the shareholding and discontinues recognition of further losses, except in cases where the Group has incurred into legal or implicit obligations or made payments of behalf of the investee.

### Transactions eliminated during the consolidation process

Upon drafting the Half-Yearly consolidated financial statements, balances, transactions, revenues and costs are eliminated. Unrealised gains arising from transactions with investees accounted for using the equity method are eliminated proportionately to the Group's share in the investee. Non-incurred losses are eliminated in the same way as unrealised gains, to the extent that there are no indicators that can give evidence of a loss of value.

## Scope of consolidation

Net Insurance S.p.A. owns 100% of Net Insurance Life S.p.A., which is therefore fully consolidated.

The consolidated company closed its financial statements as at 31 December 2021.

**Table No. 1 – Scope of consolidation**

**Scope of consolidation**
**Statement Code: SCAREAC**

| Name | Country registered office | Country Headquarters (5) | Method (1) | Assets (2) | % Direct investment | % Total holding (3) | % Votes available at the Ordinary Shareholders' Meeting (4) | % consolidation |
|---|---|---|---|---|---|---|---|---|
| NET INSURANCE LIFE SPA | 86 | | G | 1 | 100 | 100 | 100 | 100 |
| | | | | | | | | 1.130334152 |
| | | | | | | | | |
| | | | | 1.130334152 | | | | -1.130334152 |

(1) Consolidation method Global integration =G, Proportional integration =P, Global integration for unified management =U
(2) 1=Italian ins.; 2=EU ins.; 3=non-EU ins.; 4=ins. holdings; 4.1 mixed financial holding companies; 5=EU reins; 6=non-EU reins; 7=banks; 8=asset management company (SGR); 9=various holding; 10=properties; 11=other
(3) is the product of the investment quota related to all the companies which, along the investment chain, are placed in between the company preparing the consolidated financial statements and the company in question. If the latter is directly invested by multiple subsidiaries, it is
(4) total percentage of available votes at the ordinary shareholders meeting if different from the direct or indirect investment quota
(5) this information is only required if the country of the headquarters is different from the country of the registered office

# BUSINESS AREAS

The business areas of the Group are:

- Non-Life insurance segments operated by the Parent Company Net Insurance S.p.A.;
- Life insurance segments operated by the subsidiary Net Insurance Life S.p.A.

Since the Group operates solely through Italian companies, no geographical representation is necessary.

For further detail, please refer to the attached tables relating to the income statement and balance sheet by business sector.

# RISK MANAGEMENT

The risk management system regards the entire business process with a view to enabling the Companies to optimise their risk-return profile, by boosting profitability and maintaining an adequate level of economic/regulatory capital, while also meeting shareholder and policyholder expectations.

This system was formalised and documented by updating the overall framework of applicable Policies.

Furthermore, the Companies guarantee the integration of risk management within the business through:

- the determination of the risk appetite and the mechanisms for controlling the consistency between it and the actual risk profile;
- the current and outlook risk profile assessment process, aligned and integrated with the main decision-making processes (particularly with the process of developing the strategic plan).

The risk management and main risk/return profile monitoring objectives are also pursued through an organisational structure inspired by the criteria of separation and autonomy between operating and control functions, as well as specific processes that govern the assumption, management and control of risks, also through the progressive implementation of adequate supporting IT tools.
The system aims to guarantee "risk-based" decision-making processes in compliance with domestic and European regulations in force and also applies to existing risks as well as those that may arise in existing or new businesses.
The Risk Appetite and the own risk and solvency assessment (ORSA) represent fundamental elements of the Risk Management System.
Environmental risks, understood as the risks generated and suffered, complete this analysis. Within the scope of the risks generated, the operations of the Companies, although belonging to the advanced tertiary sector and services, cannot exclude, albeit with a low incidence, risks related to the direct generation of impacts on the environment, in particular regarding production. of waste and the use of water and energy resources. With regard to the risks incurred, the Group is sensitive to the issue of the environment, the scarcity of water resources and climate change, even to the extent that these events are able to determine the occurrence of natural disasters linked to the climate or the persistent lack of water.

## Technical risks

The following risks pertain to this category, based on insurance contracts in the portfolio, as well as on the basis of the classes in which the Group is authorised to operate:

- Pricing risk;
- Risk of provisions and deviation of claims;
- Catastrophe risks;
- Redemption risks;
- Risks related to reinsurance efficiency;
- Mortality risk;
- Longevity risk in the non-self-sufficient state;
- ESG (Environment - Social - Governance) risks in the management of technical risks

## Financial risks

The following risks are included in this category, based on the structure of the Group's financial portfolio and the asset classes invested in:

- Interest rate risk;
- Equity risk;

- Spread risk;
- Concentration risk;
- Real estate risk;
- Exchange rate risk;
- Country risk;
- Credit risk;
- Liquidity and custody risk;
- ESG (Environment - Social - Governance) risks in the area of financial risk management.

## Operational risks and the risk of non-compliance

Operational Risk is the risk of losses resulting from inefficiencies of people, processes and systems, including those used for distance selling, or from external events, such as, for example, fraud or the activities of service providers.

As part of the Group's activities and operations, operational risks can be traced back to the following classifications:

- Risks related to the organization:
  - Policies and procedures risk;
- People-related risks:
  - Internal fraud;
  - Key roles, staff shortages and inclusion of women and minorities;
  - Compliance with powers and delegations;
  - High manual skills;
- External events-related risk
  - Outsourcing risks;
  - External fraud;
- Information Management System-related risk
  - Data governance and data quality risk;
  - Business continuity risk;
  - Information security risk;
  - Risks related to the digital revolution and IT security;
- Non-compliance risk;
  - Risk of non-compliance, sanctionability and regulatory complexity;
  - Risks related to transparency and business;

- Socio-economic risks;
    - Reputational and strategic risk;
    - Risks related to geopolitical and financial instability;
    - Risks related to the changing nature of work and the polarisation of lifestyles;
    - Risks related to health changes.

From the point of view of the underwriting policy, in relation to these types of risk, the Group takes care in particular of the diversification and geographical dispersion of the types of risk and implements, with regard to catastrophe risks, a careful reinsurance policy aimed at reducing the risks linked to the related claims, as well as the consequent absorption of capital for the inherent underwriting and provisioning risks.

All the risks mentioned above are measured by using suitable models mainly relating to "Pillar 1" of the Solvency II Directive, but also first and second level internal models, if the regulatory model is not suitable to capture the correct risk profile of the Group or if in-depth analysis and focus on particular areas of the Group's exposures are required. Risk management and mitigation are carried out in compliance with the risk management system promoted by corporate governance and by risk management processes, driven by the related function, which include, among other things, the performance of periodic stress tests, risk assessment activities, periodic updating of emergency plans and the entire risk management framework consisting of risk management and assessment policy, operational risk management policy and Risk Appetite Framework aimed at generating a number of quantitative and qualitative metrics to define risk appetite, risk tolerance and management efficiency in risk management in compliance with expected solvency constraints, as well as the definition, preparation and discussion of appropriate reports on the activities carried out by the Risk Management Function and on the monitoring of the Key Risk Indicators identified in the policies mentioned above, submitted periodically to the Internal Control, Risk and Related Parties Committee.

With regard to financial risks, the securities held in the portfolio as at 30 June 2022 are reclassified by rating in the tables below, in addition to the five largest direct exposures relating to corporate securities and issuing States:

## Table No. 2 – Financial risks statement

Thousands of Euro

| Credit risk from financial investments 30.06.2022 | Investments owned until maturity | Assets measured at fair value through income statement | Financial assets available for sale | Non-current assets or assets of a disposal group held for sale | Total | % |
|---|---|---|---|---|---|---|
| AAA | | | 10,295 | | 10,295 | 4.90% |
| AA | | | 4,181 | | 4,181 | 1.99% |
| A | | | 8,673 | | 8,673 | 4.13% |
| BBB | | | 92,641 | | 92,641 | 44.10% |
| Non investment grade (BB/B/C) | | | 12,369 | | 12,369 | 5.89% |
| Not rated | | | 9,032 | | 9,032 | 4.30% |
| **Total Bonds** | | | **137,191** | - | **137,191** | **65.31%** |
| Units of mutual funds | | | 68,398 | | 68,398 | 32.56% |
| Stocks | | | 2,103 | - | 2,103 | 1.00% |
| Equity investments | | | 2,358 | | 2,358 | 1.12% |
| **Total Investments** | | | **210,050** | **0** | **210,050** | **100.00%** |

## Table No. 3 – Exposure top 5 Corporate Issuers

Thousands of Euro

| Exposure top 5 corporate issuers | Carrying amount | % |
|---|---|---|
| Banca Popolare Puglia e Basilicata | 4,758 | 47.51% |
| Augusto S.p.A. | 1,843 | 18.40% |
| Banco Santander | 1,478 | 14.76% |
| Unicredit Spa | 1,064 | 10.63% |
| BNP Paribas | 871 | 8.70% |
| Total | 10,014 | 100.0% |

## Table No. 4 – Exposure top 5 Issuers Countries

Thousands of Euro

| Exposure top 5 issuers countries | Carrying amount | % |
|---|---|---|
| Italy | 55,373 | 64.21% |
| Spain | 17,579 | 20.39% |
| Germany | 5,859 | 6.79% |
| The Netherland | 4,431 | 5.14% |
| France | 2,990 | 3.47% |
| Total | 86,232 | 100.0% |

## Table No. 5 – Rate stress assumptions on debt securities

**Thousands of Euro**

| **Assumptions** | **Impact on the value of debt securities** |
|---|---|
| Increase of 100 basis points | 4,555 |
| Increase of 50 basis points | 2,311 |
| Decrease of 50 basis points | -2,379 |
| Decrease of 100 basis points | -4,794 |

## Insurance Risk Management

As required by IFRS 4, the Group has classified contracts having regard to the definitions contained in the aforementioned principle and presence of "insurance risks".

Upon completion of the analysis performed, the Group only has insurance contracts.

A more extensive commentary on this classification is provided in the annual report on the accounts of the consolidated financial statements relating to contracts issued by insurance companies.

The gross premiums written (and incidental expenses) on insurance contracts are recognised when earned, regardless of the date on which the actual collection occurs and are recorded net of technical cancellations, of cancellations of premiums and of premium refunds relating to early extinguishments. Net premiums earned include the change in unearned premiums.

## 2019-2023 PERFORMANCE SHARE PLAN

### Assessment of the plan in the first half of 2022

The estimate of the assessment for the period relating to the long-term incentive plan "Performance Share Plan (2019-2023)" is carried out on the basis of the provisions of IFRS 2. The assessment is based on a Monte Carlo simulation model, which combines the fair value of the right to receive free shares with the probability of the conditions to access the right to receive the shares. In order to determine the fair value of the right to receive the shares, the inputs used are the historical volatility of the NET share, the risk-free interest rate and the specific characteristics of the plan, whereas the probability that the access conditions are met, are determined based on the business drivers of the corporate input in the Italian economic scenario.

As at 30 June 2022, the staff of the Net Insurance Group, involved in the Performance Share Plan 2019-2023, included 5 beneficiaries. At that reporting date, the amount set aside was equal to 500 thousand Euros.

# NOTES TO THE FINANCIAL STATEMENTS

## INFORMATION ON THE CONSOLIDATED BALANCE SHEET

(figures in thousands of euro)

## Balance sheet – Assets

### 1. Intangible assets

#### 1.2 Other intangible assets

The item other intangible assets – amounting to 7,491 thousand Euros - includes the commissions to be amortised resulting from new trade agreements, the long-term costs mainly incurred into due to software acquisition and customisation, and costs related to the purchase of rights and licenses.

The increase, compared to the previous year, is mainly related to investments made in 2022 to improve/renew the Group's management software systems.

Table No. 6 – Other intangible assets

Thousands of Euro

| Other intangible assets | As at 30.06.2022 | As at 31.12.2021 | Change |
|---|---|---|---|
| Intangible assets | 7,491 | 6,147 | 1,344 |
| | **7,491** | **6,147** | **1,344** |

### 2. Tangible assets

#### 2.1 Properties

The item, amounting to 14,533 thousand Euros, refers to the property, located in via G. A. Guattani 4, the headquarters of the Group Companies since January 2015. The value is inclusive of acquisition charges, in addition to the purchase cost of the same, including all renovation costs to make it fit for the Companies' needs.

The depreciation is calculated using a straight-line method, on the basis of the tax rates (net of the land value), and it amounted to 134 thousand Euros as at 30 June 2022.

## 2.2 Other tangible assets

Other tangible assets, amounting to 691 thousand Euros, consist of furniture, fittings, electronic machines, internal communication equipment and facilities owned by the Parent Company and/or its Subsidiary.

The depreciation is carried out over the estimated useful life by applying the straight-line method.

## 3. Technical reserves attributable to reinsurers

The breakdown of the technical reserves attributable to reinsurers is as follows:

**Table No. 7 – Reserves attributable to reinsurers**

**Thousands of Euro**

| **Technical reserves attributable to** | **June 2022** | **December 2021** | **Change** | **% Change** |
|---|---|---|---|---|
| Premium Reserve | 105,119 | 96,644 | 8,475 | 9% |
| Claims provision | 17,377 | 15,807 | 1,570 | 10% |
| Mathematical reserve | 114,894 | 101,033 | 13,861 | 14% |
| Other reserves | 120 | 166 | - 46 | -27% |
| **Total** | **237,511** | **213,650** | **23,861** | **11%** |

## 4. Investments

The table below illustrates the Group's investments, classified according to IAS/IFRS standards:

**Table No. 8 – IAS/IFRS portfolio classification**

Thousands of Euro

| Investments | 2022-06 | 2021 | Change |
|---|---|---|---|
| Non-current assets or assets of a disposal group held for sale | 0 | 0 | 0 |
| Investments in subsidiaries, associates and joint ventures | 0 | 0 | 0 |
| Loans and receivables | 0 | 0 | 0 |
| Financial assets available for sale | 210,050 | 201,460 | 8,590 |
| Financial assets at fair value through income statement | 0 | 0 | 0 |
| | 210,050 | 201,460 | 8,590 |

The investment portfolio held by the group is classified in the category "financial assets held for sale". The 4.08% increase was due to the investment of assets from the premium income.

## 4.1 Financial assets available for sale

Below is a summary table of investments that make up the category of assets available for sale.

### Table No. 9 – Details of Assets held for sale

Thousands of Euro

| Assets held for sale | 2022-06 | 2021 | Change | % Change |
|---|---|---|---|---|
| Equity investments | 2,358 | 2,034 | 324 | 15.93% |
| Stocks | 2,103 | 1,948 | 155 | 7.96% |
| Units of mutual funds | 68,398 | 72,491 | (4,093) | -5.65% |
| Bonds | 137,191 | 124,987 | 12,204 | 9.76% |
| **Total** | **210,050** | **201,460** | **8,590** | **4.26%** |

The operations of investment management have complied with the long-term strategic policy envisaged by the investment policies in place designed to achieve adequate diversification and - wherever possible - investment dispersion, which guarantees the achievement of stable returns over time, however, minimising exposure to risk of the entire portfolio and pursuing safety, profitability and liquidity of investments.

An analysis of any possible impairment losses attributable to listed and unlisted shares and investments and in units of mutual investment funds was also carried out in the portfolio of assets available for sale.

Based on the IFRS 7 requirements, financial assets available for sale are classified as shown below:

- listed shares, listed bonds and open-ended mutual fund units, all assets valued at the market price in an active market, are classified in level 1;
- bonds not listed on regulated markets, equity investments and shares not listed on regulated markets, valued based on specific internal valuation models or at the price of the latest transactions recorded (on unlisted and inactive markets), are classified in level 3;
- the units in closed-end AIF mutual funds or those classified as illiquid under the Investment Policy, which are assessed using an internal model, are classified in level 3;

Level 3 includes:

### Table No. 10 – Fair value level 3 securities

| ASSET CATEGORY | SECURITY DESCRIPTION |
|---|---|
| Funds | Anthilia Bit III |
| Funds | TiKehau Direct Lending IV – Class A4 LP |
| Funds | Tikehau senior loans |
| Funds | Tikehau Direct Lending V – Class A4 |
| Funds | Quaestio Private Markets FD |
| Funds | Tenax European Credit Fund |
| Funds | ACP Susteinable Securites Fund |
| Funds | Magellano Fund |
| Funds | Muzinich Diversified Enterprises Credit Fund II |
| Funds | Scor High Income Infrastructure Loans |

| | |
|---|---|
| Funds | Columbia Threadneedle European Sustainable |
| Equity investments | Cassa di Risparmio di Bolzano |
| Equity investments | Yolo Group S.p.A. |
| Equity investments | Banca Popolare di Puglia e Basilicata |
| Equity investments | Valia S.p.A. |
| Stocks | Onesix S.p.A. |
| Stocks | Tech Engines S.r.l. |
| Stocks | Neosurance S.r.l. |
| Stocks | MotionsCloud |
| Stocks | Trendevice S.p.A. |
| Warrant | Trendevice S.p.A. |
| Bonds | Banca Popolare Puglia e Basilicata 6% 4/2028 |
| Bonds | CMC Ravenna 2022-2026 |
| Bonds | Augusto S.p.A. |
| Bonds | First Capital Cv 2019-2026 3.75% |

As highlighted in the table below, in the first half of 2022 the conditions for determining the impairment on the bond issued by Gazprom, held by the Parent Company for a nominal amount of 300,000 Euros, and the only direct position in Russian issuers present in the portfolio of the Companies, were identified. Given the condition of the issuer, a lasting loss of 217 thousand Euros was considered on the position.

Table No. 11 – Impairment

Thousands of Euro

| Impairment | 2022-06 | 2021 | Change |
|---|---|---|---|
| Equity investments | 0 | 0 | 0 |
| Bonds | 217 | 0 | 217 |
| Units of mutual funds | 0 | 0 | 0 |
| Unlisted stocks | 0 | 0 | 0 |
| Stocks | 0 | 0 | 0 |
| **Total** | **217** | **0** | **217** |

## 5. Other receivables

The breakdown of the balance and the variations of the individual items are detailed below:

Table No. 12 – Other receivables

Thousands of Euro

| Other receivables | June 2022 | December 2021 | Change |
|---|---|---|---|
| Receivables arising out of direct insurance transactions | 56,395 | 45,352 | 11,043 |
| Receivables arising out of reinsurance transactions | 24,627 | 12,574 | 12,053 |
| Other receivables | 12,865 | 5,476 | 7,389 |
| | **93,887** | **63,401** | **30,485** |

The increase compared to the end of the previous year amounted to 30,485 thousand Euros (+48.08%) due to the combined increase in receivables from insurance transactions and receivables from reinsurance transactions.

Receivables arising out of direct insurance operations to policyholders for premiums are almost entirely embedded within the three months following the issue.

Receivables from policyholders and third parties for recoveries were considered prudently, taking into account only those amounts recoverable in future years, the amount of which is already defined and formalized at the time of approval of these half-yearly financial statements.

Other receivables relate to amounts of the Parent Company for services provided to associated companies, guarantee deposits, active funds and interest on loans to associates.

## 6. Other asset items

The other asset items are broken down as follows:

Table No. 13 – Other asset items

Thousands of Euro

| Other asset items | June 2022 | December 2021 | Change |
|---|---|---|---|
| Deferred acquisition costs | 5,101 | 4,958 | 143 |
| Deferred tax assets | 13,377 | 9,161 | 4,216 |
| Current tax assets | 1,320 | 1,320 | 0 |
| Other assets | 8,076 | 8,607 | (531) |
| | **27,874** | **24,047** | **3,828** |

The deferred acquisition costs refer to commissions from contracts signed with Cassa di Risparmio di Bolzano, Banco Desio e Banca di Piacenza.

Tax assets include the effects reported in the statutory Financial Statements in which the deferred tax calculation was made based on tax rates expected to apply to the period when the asset is realised, based on tax rates and tax regulations in force at the reporting date.

The item "Other assets", amounting to 8,076 thousand Euros, mainly includes prepaid expenses and loans to employees, granted on the basis of the supplementary company agreement.

### 7. Cash and cash equivalents

Cash and cash equivalents amounted to 4,406 thousand Euros, marking a decrease of 5,251 thousand Euros compared to the previous year.
This item consists almost entirely of bank account deposits, given the non-significant cash values.

## Balance sheet – Liabilities

### 1. Equity

The Group's total equity as at 30 June 2022 amounted to 78,378 thousand Euros, as follows:

**Table No. 14 – Detail of Equity**

Thousands of Euro

| Equity | June 2022 | December 2021 | Change | % Change |
|---|---|---|---|---|
| Share capital | 17,615 | 17,615 | 0 | 0.0% |
| Capital reserves | 63,716 | 63,716 | (0) | 0.0% |
| Profit reserves and other equity reserves | 15,007 | 6,530 | 8,477 | 129.8% |
| (Own shares) | (9,775) | (9,775) | 0 | 0.0% |
| Profit (losses) from financial assets available for sale | (13,853) | (395) | (13,458) | 3407.1% |
| Other profit (losses) under Equity | (219) | (218) | (1) | 0.4% |
| Profit (losses) for the period pertaining to the Group | 5,887 | 11,303 | (5,416) | -47.9% |
| | **78,378** | **88,776** | **(10,398)** | **-11.7%** |

As at 30 June 2022, the number of listed "Warrant Net Insurance S.p.A." (ISINIT0005353880) on AIM Italia was 1,827,434. All shareholders had the right to sign up to as many ordinary shares of the Company (so-called "Conversion Shares") in accordance with the terms and conditions provided for in the Warrant Net Insurance Regulations.

It should be noted, finally, that the Parent Company holds in its portfolio 1,989,933 own shares, accounting for: (i) 11.50% of the entire share capital including special shares; (ii) 11.18% of the total ordinary shares issued by the Parent Company.

The value of treasury shares as at 30 June 2022 amounted to 9,775 thousand Euros.

Profit reserves and other equity reserves include:

- provisions of retained earnings of both Companies;
- unavailable provisions that had been previously set aside, and subsequently made available to fund the expenses organisation of the Parent Company;
- IAS adjustments.

Other profits (losses) recognised directly in shareholders' equity refer exclusively to the results of the actuarial valuations of employee benefits (employee severance indemnities in relation to seniority bonuses) that will not subsequently be reclassified to the income statement.

The item of gains and losses on AFS assets includes the effects of the valuation at fair value of securities classified as "available-for-sale" when these positions are disposed of.

## 2. Provisions

Provisions, amounting to 251 thousand Euros, mainly regard the provision for the severance pay for CEO. During the first half of 2022, due to the positive closure of the dispute with the former CEO, the related provision was released.

## 3. Technical provisions

For the technical reserves breakdown, please refer to the following table:

Table No. 15 – Gross technical reserves

Thousands of Euro

| Technical reserves | June 2022 | December 2021 | Change | % Change |
|---|---|---|---|---|
| Premium Reserve | 174,848 | 156,752 | 18,096 | 12% |
| Claims provision | 21,270 | 21,168 | 102 | 0% |
| Mathematical reserve | 177,365 | 157,860 | 19,505 | 12% |
| Other reserves | 26,079 | 24,750 | 1,329 | 5% |
| **Total** | **399,562** | **360,530** | **39,032** | **11%** |

The item "Claims provision" can be broken down as follows:

- Non-Life claim provision for 16,587 thousand Euros;
- Life provisions for outstanding claims for 4,683 thousand Euros.

It should be noted, moreover, that the item "Other provisions" includes the provision for increasing age under the health insurance line of business of the Parent Company and the provision for future management expenses set aside by the Subsidiary.

In accordance with Annex 14 of ISVAP Regulation No. 22/2008, Mathematical reserves include:

- an additional provision for risks different from financial risk, for the return of loading for acquisitive expenses in case of cancellations for early repayment of the loan, amounting to 1,725 thousand Euros.

## 4. Financial Liabilities

This item includes:

- the subordinated bond issue (Tier II) amounting to 12,500 thousand Euros, and 5.10% ten-year rate of return, issued in September 2021, and subscribed by institutional and professional investors.

  The issuance of this subordinated bond is eligible as own funds and therefore allows the company to strengthen its capital and solvency structure;
- the convertible subordinated bond (Tier II) of 5,000 thousand Euros, with a ten-year duration and a yield of 4.60% on an annual basis, payable in two half-yearly coupons. The bond, which is eligible for inclusion under own funds, provides for two conversion ratios per share (6.00 and 7.00 Euros), which vary according to the conversion window.

The value as at 30.06.2022, using the amortised cost amounted to 16,645 thousand Euros.

## 5. Payables

### 5.1 Payables arising from insurance operations

The item, amounting to 3,582 thousand Euros, represented payables to co-insurers as at 30 June 2022, and concerned the results of operations of Coinsurance statements developed on the basis of the agreements in place in 2021.

### 5.2 Payables deriving from reinsurance operations

The balance of 63,177 thousand Euros, with an increase of 25,855 thousand Euros compared to the previous year, refers to the accrual-based balance, as at 30 June 2022, of technical items referred to reinsurers (also inclusive of deposits received from reinsurers) determined on the basis of underwritten reinsurance treaties.

### 5.3 Other payables

The item, amounting to 15,369 thousand Euros, includes the tax payables, expense appropriations, referred to charges relating to the year for most services received during the year and trade payables.

## 6. Other liability items

The item amounts to 11,707 thousand Euros, including the deferred tax liabilities totalling 8,369 thousand Euros, regarding IAS/IFRS tax effects and other liabilities equal to 3,338 thousand Euros.
Other liabilities are mainly commissions for premiums in course of collection for 3,160 thousand Euros and accrual of interest on subordinated loan as at 30 June 2022 amounting to 177 thousand Euros.

# INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

(figures in thousands of euro)

Comments on income statement are intended to represent the insurance business and the financial activity separately; therefore the order of items in the income statement shall not be followed.

## Net premiums and net charges relating to claims

The details by individual management are highlighted in the table below as well as in the Annex "detail of technical insurance items of competence".

Table No. 16 – Net premiums and net charges relating to claims

Thousands of Euro

| | 2022-06 | 2021-06 | Change | % Change |
|---|---|---|---|---|
| **Non-Life** | | | | |
| Gross premiums earned | 33,760 | 28,988 | 4,772 | 16% |
| Ceded premiums earned | (17,676) | (15,588) | (2,087) | 13% |
| Gross claims expenses | (15,552) | (13,215) | (2,337) | 18% |
| Accrued claims ceded | 12,070 | 7,294 | 4,776 | 65% |
| | **12,602** | **7,479** | **5,123** | **68%** |
| **Life** | | | | |
| Gross premiums earned | 22,288 | 36,023 | (13,735) | -38% |
| Ceded premiums earned | (14,857) | (14,001) | (856) | 6% |
| Gross claims expenses | (14,409) | (28,141) | 13,732 | -49% |
| Accrued claims ceded | 9,230 | 10,054 | (824) | -8% |
| | **2,252** | **3,935** | **-1,683** | **-43%** |
| **Total** | **14,855** | **11,415** | **3,440** | **30.13%** |

The item "claim expenses", net of reinsurance, includes:

a) for the Non-life segment:

- Amounts paid in compensation for claims and related settlement costs;
- Change in the claims reserve related to compensation, direct expenses and settlement costs that are expected to be paid in the following years for claims incurred in the current year (already reported and to be reported) and for claims incurred in previous years but still pending at 30 June 2022;
- Amounts recovered and change in reserves for recovery relating to formally defined payment plans, to be collected;
- Change in other technical reserves relating to the ageing reserve of the Illness segment.

b) for the Life segment:

- Paid amounts: settlement paid in 2022 for claims, gross of expenses directly attributable to the claims management;
- Change in provisions for outstanding claims relating to outstanding claims incurred and reported in the current year and previous years, as well as provisions set aside for claims received by the end of the year but recorded in the following year, gross of provisions for expenses directly attributable to claims management;
- Changes in mathematical reserves (including additional provisions for financial risk and other technical risks) and variation in other technical reserves relating to the provision for future operating expenses.

## Operating expenses

Operating expenses amounted to 4,739 thousand Euros, broken down between acquisition costs, net of commissions and profit-sharing received from reinsurers, and administrative expenses and investment management expenses.

There was a decrease compared to the same period of the previous year, mainly due to the increase in commissions received from reinsurers

The individual management details are provided in the Annex to the Notes to the Financial Statements and in the following table:

### Table No. 17 – Net Group Operating Expenses

Thousands of Euro

| | June 2022 | June 2021 | Change | % Change |
|---|---|---|---|---|
| **Non-Life** | | | | |
| Commission payables | 6,349 | 4,584 | 1,764 | 38.5% |
| Other acquisition expenses | 6,205 | 5,582 | 623 | 11.2% |
| Other administrative expenses | 2,258 | 2,161 | 97 | 4.5% |
| Investment operating expenses | 376 | 334 | 42 | 12.4% |
| Commissions and profit sharing received from reinsurers | (7,931) | (5,905) | (2,026) | 34.3% |
| | **7,257** | **6,756** | **501** | **7.4%** |
| **Life** | | | | |
| Commission payables | 5,178 | 4,096 | 1,082 | 26.4% |
| Other acquisition expenses | 1,522 | 1,452 | 70 | 4.8% |
| Other administrative expenses | 320 | 390 | (70) | -18.0% |
| Investment operating expenses | 165 | 165 | (0) | -0.3% |
| Commissions and profit sharing received from reinsurers | (9,703) | (7,196) | (2,507) | 34.8% |
| | **(2,518)** | **(1,093)** | **(1,426)** | **130.5%** |
| | **4,739** | **5,664** | **(925)** | **-16.3%** |

## Income from investments

Income from investments amounted to 2,013 Euros and related to coupon interest on bonds, dividends on shares and mutual funds, interest on current accounts and profits on disposals. The details by individual management are reported in the table below:

### Table No. 18 – Income from investments

Thousands of Euro

| | June 2022 | June 2021 | Change | % Change |
|---|---|---|---|---|
| **Non-Life** | | | | |
| Interest income | 462 | 442 | 20 | 4.52% |
| Dividends | 480 | 504 | (24) | -4.76% |
| Income from trading | 29 | 312 | (283) | -90.71% |
| | **971** | **1,258** | **(287)** | |
| **Life** | | | | |
| Interest income | 516 | 463 | 53 | 11.45% |
| Dividends | 502 | 501 | 1 | 0.20% |
| Income from trading | 24 | 400 | (376) | -94.00% |
| | **1,042** | **1,364** | **(322)** | |
| | **2,013** | **2,622** | **(609)** | **-23.23%** |

The increase in the interest income component is related to the increase in the bond exposure of the group's portfolio.

## Financial charges

Financial charges amounted to 988 thousand Euros, related to losses arising from permanent write-downs, losses on disposal, interest expense and other charges. The details for individual management are shown in the following table:

Table No. 19 – Financial charges

Thousands of Euro

| | June 2022 | June 2021 | Change | % Change |
|---|---|---|---|---|
| **Non-Life** | | | | |
| Interest expenses | 142 | 193 | (51) | -26% |
| Other charges | 185 | 187 | (2) | -1% |
| Realised losses | 1 | 2 | (1) | -50% |
| Valuation losses | 217 | 6 | 211 | 3517% |
| | **545** | **388** | **157** | |
| **Life** | | | | |
| Interest expenses | 150 | 189 | (39) | -21% |
| Other charges | 263 | 143 | 120 | 84% |
| Realised losses | 30 | 93 | (63) | -68% |
| Valuation losses | 0 | 20 | (20) | -100% |
| | **443** | **445** | **(2)** | |
| | **988** | **833** | **155** | **19%** |

The valuation losses refer to the impairment of the bond issued by Gazprom, held by the Parent Company for a nominal amount of 300,000 Euros, which is the only direct bond position in Russian issuers included in the portfolio of the Companies.

## Other revenues

Other revenues, amounting to 1,741 thousand Euros, mainly refer to fees for the management of claims service activities carried out by the Parent Company and income deriving from the sale of receivables by the parent company Net Insurance S.p.A.

It should be noted that, in June 2022, the sale of a portfolio of non-recoverable loans deriving from salary-backed loan agreements was finalised.

The sale was concluded for an equivalent value of 977 thousand Euros (3.2% of the loan portfolio transferred).

## Other costs

Other costs, amounting to 2,270 thousand Euros, mainly refer to:

- 1,127 Euros, other technical charges relating to technical cancellations of premiums and premium refunds related to the year 2021;
- 431 thousand Euros in interests accrued for the subordinated loan;
- 575 thousand Euros for extraordinary expenses.

## Taxes

Income taxes include IRES and IRAP taxes based on estimated taxable income of each year and are disclosed in accordance with current regulations.

In line with the provisions of IFRS, revaluations of assets carried out in financial statements prepared in accordance with statutory standards must be reversed at the time of preparation of the consolidated financial statements.

In line with these forecasts, the revaluation of the Net trademark, recognised in the financial statements of the parent company Net Insurance S.p.A., was not recognised in the consolidated balance sheet assets, consequently generating a receivable for prepaid taxes in the amount of 2,002 thousand Euros.

# ATTACHMENTS TO THE HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS

| LIST OF HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS ANNEXES | | | |
|---|---|---|---|
| **Annex** | **Reference** | **Description** | **Statement Code** |
| **1** | IS | Income statement by activity | SCCESETT |
| 2 | Assets | Scope of consolidation | SCAREAC |
| 3 | Assets | Details of non-consolidated investments | SCPARNC |
| 4 | Assets | Details of tangible and intangible assets | SCATTMMI |
| 5 | IS | Details of insurance technical items | SCVTASS |
| 6 | IS | Financial and investment income and charges | SCPROVON |
| 7 | IS | Details of expense items in insurance operations | SCSPGEST |
| 8 | IS | Detail of other items of the comprehensive income statement | SCCONECD |

The legal representative of the company (*)

NET INSURANCE S.p.A.
Chief Executive Officer
Mr Andrea Battista (**)

(*)For foreign companies the signature must be affixed by the general representative for Italy.

(**) Indicate the position held by the signatory.

***NET INSURANCE GROUP***
*(amounts in euro)*
**Annex 1 - Income statement by segment**

| | | Non-life insurance business | | Life insurance business | | Total | | Intra-segment elisions | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **30-06-22** | **30-06-21** | **30-06-22** | **30-06-21** | **30-06-22** | **30-06-21** | **30-06-22** | **30-06-21** | **30-06-22** | **30-06-21** |
| 1.1 | Net premiums | **16,084,263** | **13,706,608** | **16,277,125** | **14,843,606** | **32,361,388** | **28,550,214** | | | **32,361,388** | **28,550,214** |
| *1.1.1* | *Gross premiums earned* | 33,759,932 | 29,295,153 | 44,950,790 | 36,022,945 | 78,710,722 | 65,318,098 | | | 78,710,722 | 65,318,098 |
| *1.1.2* | *Premiums ceded to relevant reinsurance* | (17,675,669) | (15,588,545) | (28,673,665) | (21,179,339) | (46,349,334) | (36,767,884) | | | (46,349,334) | (36,767,884) |
| 1.2 | Commission income | - | - | - | - | - | - | | | 0 | 0 |
| 1.3 | Financial income and charges from financial instruments designated at fair value through income statement | - | - | - | - | - | - | | | 0 | 0 |
| 1.4 | Income from investments in subsidiaries, associates and joint ventures | - | - | - | - | - | - | | | 0 | 0 |
| 1.5 | Income from other financial instruments and investment properties | - 3,094,067 | 4,770,573 | 1,042,350 | 1,364,680 | - 2,051,716 | 6,135,253 | 4,064,486 | - 3,512,576 | 2,012,769 | 2,622,676 |
| 1.6 | Other revenues | 2,570,847 | 2,806,186 | 466,994 | 525,308 | 3,037,841 | 3,331,494 | (1,296,864) | (1,300,267) | 1,740,977 | 2,031,227 |
| **1** | **TOTAL REVENUES AND INCOME** | **15,561,044** | **21,283,367** | **17,786,469** | **16,733,594** | **33,347,512** | **38,016,961** | | | **36,115,134** | **33,204,117** |
| 2.1 | -1.345862589 | **6,204,531** | **5,484,057** | **14,025,085** | **10,909,153** | **20,229,616** | **16,393,210** | | | **20,229,616** | **16,393,210** |
| *2.1.1* | *Amounts paid and changes in technical reserves* | 15,516,708 | 12,778,211 | 37,071,592 | 28,141,965 | 52,588,300 | 40,290,176 | | | 52,588,300 | 40,920,176 |
| *2.1.2* | *Reinsurers' shares* | (9,312,177) | (7,294,154) | (23,046,507) | (17,232,812) | (32,358,684) | (24,526,966) | | | (32,358,684) | (24,526,966) |
| 2.2 | Commission expenses | - | - | - | - | - | - | | | 0 | 0 |
| 2.3 | Charges from investments in subsidiaries, associates and joint ventures | - | - | - | - | - | - | | | 0 | 0 |
| 2.4 | Charges from other financial instruments and investment properties | 543,964 | 388,188 | 443,985 | 445,173 | - 1 | 833,361 | - | - | 987,949 | 833,361 |
| 2.5 | -1.345922187 | 7,256,846 | 6,756,302 | - 2,518,312 | - 1,092,721 | 4,738,534 | 5,663,581 | | | 4,738,534 | 5,663,581 |
| 2.6 | Other costs | 1,843,168 | 2,546,606 | 1,898,635 | 1,982,178 | 3,741,803 | 4,528,783 | (1,471,864) | (1,473,829) | 2,269,939 | 3,054,954 |
| **2** | **TOTAL CHARGES AND EXPENSES** | **15,848,509** | **15,175,153** | **13,849,393** | **12,243,782** | **29,697,902** | **27,418,935** | - | - | **28,266,038** | **25,945,106** |
| | **PROFIT (LOSS) FOR THE YEAR BEFORE TAXES** | **(287,465)** | **6,108,214** | **3,937,076** | **4,489,812** | **3,649,610** | **10,598,026** | | | **7,889,096** | **7,259,011** |

(*) To be explained, also by adding several columns, in relation to the significance of the activity carried out in the various sectors

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***NET INSURANCE GROUP***

*(amounts in euro)*

**Annex 2 - Scope of consolidation**

**Statement Code: SCAREAC**

| Name | Country registered office | Country Headquarters (5) | Method (1) | Assets (2) | % Direct investment | % Total holding (3) | % Votes available at the Ordinary Shareholders' Meeting (4) | % consolidation |
|---|---|---|---|---|---|---|---|---|
| NET INSURANCE LIFE SPA | 86 | | G | 1 | 100 | 100 | 100 | 100 |
| | | | | | | | | 1.130334152 |
| | | | | | | | | |

1.130334152 -1.130334152

(1) Consolidation method Global integration =G, Proportional integration =P, Global integration for unified management =U
(2) 1=Italian ins.; 2=EU ins.; 3=non-EU ins.; 4=ins. holdings; 4.1 mixed financial holding companies; 5=EU reins; 6=non-EU reins; 7=banks; 8=asset management company (SGR); 9=various holding; 10=properties; 11=other
(3) is the product of the investment quota related to all the companies which, along the investment chain, are placed in between the company preparing the consolidated financial statements and the company in question. If the latter is directly invested by multiple subsidiaries, it is
(4) total percentage of available votes at the ordinary shareholders meeting if different from the direct or indirect investment quota
(5) this information is only required if the country of the headquarters is different from the country of the registered office

***NET INSURANCE GROUP***

*(amounts in euro)*

**Annex 5 - Details of insurance technical items**

| | | 30/06/2022 | 30/06/2021 |
|---|---|---|---|
| **Non-life insurance business** | | | |
| **NET PREMIUMS** | | **16,084,263** | **13,706,608** |
| a | Premiums written | 25,796,914 | 23,296,883 |
| b | Changes in non-life premium reserve | (9,712,651) | (9,590,276) |
| **NET EXPENSES FROM CLAIMS** | | **6,204,531** | **5,484,057** |
| a | Amounts paid | 5,396,388 | 4,461,647 |
| b | Changes in non-life claim reserve | 2,364,899 | 2,499,704 |
| c | Changes in recoveries | 1,523,813 | 1,502,742 |
| d | Changes in other technical reserves | (32,943) | 25,447 |
| **Life insurance business** | | | |
| **NET PREMIUMS** | | **13,227,125** | **14,843,606** |
| **NET EXPENSES FROM CLAIMS** | | **14,025,085** | **10,909,153** |
| a | Paid amounts | 5,091,479 | 4,957,118 |
| b | Changes in Amounts to be paid reserve | 87,882 | 304,164 |
| c | Changes in Mathematical reserves | 5,643,283 | 3,687,183 |
| d | Changes in Technical reserves if the risk of the investment is borne by the policy-holders, and reserves deriving from the management of pension funds | 0 | 0 |
| e | Changes in other technical reserves | 3,202,442 | 1,960,688 |

***NET INSURANCE GROUP***

*(amounts in euro)*

**Annex 6 - Financial income and charges also from investments**

| | | Interest | Other income | Other charges | Realised profit | Realised losses | Total realised income and charges | Valuation income | | Valuation losses | | Total unrealised income and charges | Total income and charges 30-06-2022 | Total income and charges 30-06-2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Valuation gains | Write-backs | Valuation losses | Value impairment | | | |
| **Income from investments** | | **977,589** | **982,290** | **- 447,566** | **52,891** | **- 30,477** | **1,534,726** | - | - | **(217,249)** | - | **(217,249)** | **1,317,478** | **2,171,409** |
| a | From investment property | - | - | - | - | - | - | - | - | - | - | - | - | - |
| b | From investments in subsidiaries, associates and joint ventures | - | - | - | - | - | - | - | - | - | - | - | - | - |
| c | From held-to-maturity investments | - | - | - | - | - | - | - | - | - | - | - | - | - |
| d | From other loans and receivables | - | - | - | - | - | - | - | - | - | - | - | - | - |
| e | From financial assets available for sale | 977,589 | 982,290 | (447,566) | 52,891 | (30,477) | **1,534,726** | - | - | (217,249) | - | **(217,249)** | **1,317,478** | **2,171,409** |
| f | From financial assets held for trading | - | - | - | - | - | - | - | - | - | - | - | | |
| g | From financial assets designated at fair value through income statement | - | - | - | - | - | - | - | - | - | - | - | | |
| **Results from other receivables** | | - | - | - | - | - | - | - | - | - | - | - | | |
| **-1.345862589** | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Results from financial liabilities** | | **(292,657)** | - | - | - | - | **(292,657)** | - | - | - | - | - | **(292,657)** | **(382,094)** |
| a | From financial liabilities held for trading | - | - | - | - | - | - | - | - | - | - | - | | |
| b | From financial liabilities designated at fair value through income statement | - | - | - | - | - | - | - | - | - | - | - | | |
| c | From other financial liabilities | (292,657) | - | - | - | - | **(292,657)** | - | - | - | - | - | **(292,657)** | **(382,094)** |
| **Results from payables** | | | - | | - | | | | - | | | | | |
| **Total** | | **684,931** | **982,290** | **(447,566)** | **52,891** | **(30,477)** | **1,242,069** | - | - | **(217,249)** | - | **(217,249)** | **1,024,820** | **1,789,316** |

***NET INSURANCE GROUP***

*(amounts in euro)*

**Annex 7 - Details of expenses in insurance operations**

| | Non-life insurance business | | Life insurance business | |
|---|---|---|---|---|
| | **30/06/2022** | **30/06/2021** | **30/06/2022** | **30/06/2021** |
| Gross commission and other acquisition expenses net of | 4,622,726 | 4,261,234 | (3,002,839) | (1,648,042) |
| Investment operating expenses | 375,783 | 334,232 | 164,988 | 165,433 |
| Other administrative expenses | 2,258,336 | 2,160,837 | 319,539 | 389,888 |
| **Total** | **7,256,846** | **6,756,302** | **(2,518,312)** | **(1,092,721)** |

**NET INSURANCE GROUP**

*(amounts in euro)*

**Annex 8 - Detail of the other items of the comprehensive income statement**

| | Allocations | | Reclassification adjustments in Income Statement | | Other changes | | Total changes | | Taxes | | Amount | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **30/06/2022** | **30/06/2021** | **30/06/2022** | **30/06/2021** | **30/06/2022** | **30/06/2021** | **30/06/2022** | **30/06/2021** | **30/06/2022** | **30/06/2021** | **30/06/2022** | **30/06/2021** |
| **Other comprehensive income, without reclassification through income statement** | **- 596** | **- 113,435** | | | | | **- 596** | **- 113,435** | **- 184** | **- 34,961** | **- 218,819** | **- 364,459** |
| Reserve from changes in the equity of the investees | | | | | | | | | | | | |
| Reserve for revaluation of intangible assets | | | | | | | | | | | | |
| Reserve for revaluation of tangible assets | | | | | | | | | | | | |
| Income and charges related to non-current assets or to a disposal group held for sale | | | | | | | | | | | | |
| Actuarial profit and losses and adjustments related to defined-benefit plans | - 596 | - 113,435 | | | | | - 596 | - 113,435 | - 184 | - 34,961 | - 218,819 | - 364,459 |
| Other items | | | | | | | | | | | | |
| **Other comprehensive income, with reclassification through income statement** | **- 13,458,626** | **- 801,905** | | | | | **- 13,458,626** | **- 801,905** | **- 4,147,949** | **- 247,147** | **- 13,853,183** | **1,029,002** |
| Net foreign exchange differences reserve | | | | | | | | | | | | |
| -1.345862589 | - 13,458,626 | - 801,905 | | | | | - 13,458,626 | - 801,905 | - 4,147,949 | - 247,147 | - 13,853,183 | 1,029,002 |
| Profit or losses on hedging instruments of a financial flow | | | | | | | | | | | | |
| Profit or losses on hedging instruments of a net investment in a foreign operation | | | | | | | | | | | | |
| Reserve from changes in the equity of the investees | | | | | | | | | | | | |
| Income and charges related to non-current assets or to a disposal group held for sale | | | | | | | | | | | | |
| Other items | | | | | | | | | | | | |
| **-1.345922187** | **- 13,459,222** | **- 915,340** | | | | | **- 13,459,222** | **- 915,340** | **- 4,148,132** | **- 282,108** | **- 14,072,003** | **664,543** |

The attached auditor's report and the consolidated half-yearly report to which it refers conforms to the original Italian-language report filed at the registered office of Net Insurance S.p.A., and subsequent to the procedure given therein, KPMG S.p.A. has not carried out any auditing procedures aimed at updating the contents of the report.

**Net Insurance S.p.A.** Sede Legale e Direzione Generale
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www.netinsurance.it



**Certification of the condensed half-yearly consolidated financial statements pursuant to Art. 81-*ter* of CONSOB Regulation No. 11971 of 14 May 1999 and subsequent amendments and additions**

1. The undersigned Andrea Battista and Luigi Di Capua, respectively Chief Executive Officer and Manager in charge of financial reporting of the Net Insurance Group (the "**Group**"), certify, also taking into account the provisions of Art. 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998:
   - adequacy in relation to the characteristics of the company;
   - actual implementation of the administrative and accounting procedures for the preparation of the half-yearly consolidated financial statements during the first half of 2022.
2. It is also certified that:

   2.1 The condensed half-yearly consolidated financial statements:

   a) have been prepared in compliance with the applicable international accounting standards recognised in the European Union pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002;

   b) correspond to the entries in the books and records;

   c) are suitable for providing a true and fair view of the assets and liabilities, profit and loss, and financial position of the issuer and the group of companies included in the consolidation scope.
3. The interim management report includes a reliable analysis of references to important events that occurred in the first six months of the financial year and their impact on the condensed half-yearly consolidated financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The interim management report also includes a reliable analysis of the information on significant transactions with related parties.

1 August 2022

Andrea Battista

Chief Executive Officer

Luigi Di Capua

Manager in charge of financial reporting

KPMG

**(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)**

# Net Insurance Group

**Consolidated financial statements as at 30 June 2022**

(with independent auditors' report thereon)

KPMG S.p.A.

4 August 2022

KPMG S.p.A.
Revisione e organizzazione contabile
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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 interim consolidated financial statements

*To the board of directors of*
*Net Insurance S.p.A.*

## Introduction

We have reviewed the accompanying interim consolidated financial statements of the Net Insurance Group, comprising the statement of financial position as at 30 June 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The directors are responsible for the preparation of these 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 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 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 interim consolidated financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements of the Net Insurance 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.

Rome, 4 August 2022

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit