ACCOUNTS AND REPORTS 2023

FINECO

Accounts and Reports 2023

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Board of Directors, Board of Statutory Auditors and External Auditors

	Board of Directors
Marco Mangiagalli	Chairman
Gianmarco Montanari	Vice Chairman
Alessandro Foti	Chief Executive Officer and General Manager
Arturo Patarnello Elena Biffi Giancarla Branda Maria Alessandra Zunino De Pignier Maria Lucia Candida Marin Gueorguiev Paola Generali Patrizia Albano	Directors
	Board of Statutory Auditors
Luisa Marina Pasotti	Chairman
Giacomo Ramenghi Massimo Gatto	Standing Auditors
Lucia Montecamozzo Marco Salvatore	Alternate Auditors
KPMG S.p.A.	External Auditors
Lorena Pelliciari	Nominated Official in charge of drawing up Company Accounts

The Board of Directors was appointed by the Ordinary Shareholders' Meeting of FinecoBank of April 27th, 2023 and will remain in office until the approval of the annual Financial Statements as at December 31st, 2025.

Registered office

Piazza Durante 11, 20131 Milan, Italy

"FinecoBank Banca Fineco S.p.A."
in abbreviated form "FinecoBank S.p.A.", or "Banca Fineco S.p.A." or "Fineco Banca S.p.A.".
Bank enrolled in the Register of Banks and Parent Company of the FinecoBank Banking Group – enrolled in the Register of Banking Groups at No. 3015, Member of the National Guarantee Fund and National Interbank Deposit Guarantee Fund.
Tax Code and Milan-Monza-Brianza-Lodi Companies Register no. 01392970404 – R.E.A. (Economic and Administrative Index) no. 1598155, VAT No. 12962340159

Introduction to the Annual Accounts and Reports

In implementation of Legislative Decree no. 38 of February 28th, 2005, these Annual Accounts and Reports comprise the Consolidated Financial Report and Accounts of the FinecoBank Group (hereinafter Group) and the Financial Report and Accounts of FinecoBank Banca Fineco S.p.A. (hereinafter FinecoBank or Fineco or the Bank), which have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission, pursuant to EU Regulation 1606/2002 of July 19th, 2002 and applicable to financial reports for the periods starting on January 1st, 2023.

In its Circular 262 of December 22, 2005 as amended, the Bank of Italy laid down the formats for the financial statements and explanatory notes to the accounts of banks and regulated financial companies that are parents of banking groups, in the exercise of the powers established by art. 43 of the legislative decree August 18th, 2015 n. 136, which have been used by the Bank to prepare the Consolidated Report and Accounts and the Separate Report and Accounts.

The Consolidated Report and Accounts includes:

- the **Consolidated Financial Statements** comprise the Consolidated Balance Sheet, the Consolidated Income Statement, the Statement of Consolidated Comprehensive Income, the Statement of Changes in Consolidated Shareholders' Equity, the Consolidated Cash Flow Statement, presented with a comparison to the corresponding financial statements of 2022;
- the **Notes to the Consolidated Accounts**;

and is accompanied by:

- the **Consolidated Report on Operations**, which includes the condensed accounts, the main results of the various business areas, and comments on the results for the year, as well as the additional information required by Consob. In support of the comments on the results for the year, the condensed Income Statement and Balance Sheet tables are presented and illustrated in the Consolidated Report on Operations, the reconciliation of which with the consolidated Financial Statements is shown in the Annexes (in line with Consob Communication No. 6064293 of July 28th, 2006), and the Alternative Performance Measures ("APMs") are used, the explanatory description of which regarding the content and, if applicable, the calculation methods used are shown in the Glossary (in line with the guidelines published on October 5th, 2015 by the European Securities and Markets Authority (ESMA/2015/1415));
- the **Certification of the Consolidated Report and Accounts pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14th, 1999 and subsequent amendments.**

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

The Financial Report and Accounts includes:

- the **Financial Statements** comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, presented with a comparison to the corresponding financial statements of 2022;
- the **Notes to the Accounts**;

and it is accompanied **by the Certification of the Annual Financial Statements pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14th, 1999 and subsequent amendments**.

For the Report on Operations pertaining to the Financial Report and Accounts of FinecoBank S.p.A., please refer to the Consolidated Report on Operations in which, in a specific section, the reclassified financial statements are shown and the comments on the Bank results of the financial year. The reconciliation of the condensed Financial Statements with the Financial Statements is reported in the Annexes.

The annual report also includes:

- the Report of the Board of Statutory Auditors;
- the Reports of the External Auditors.

As previously mentioned, FinecoBank prepares a single document called "Report and accounts" which include the Group's Consolidated Financial Statements and the FinecoBank's Financial Statements. The integration of the contents of the two Financial Statements documents into a single one leads to the elimination of duplications of some of qualitative information presented in both documents and the adoption of a system of cross-references between the chapters dedicated to the consolidated financial statements and the company ones, in order to facilitate the reading; pursuant to these references the contents of the each referenced paragraph is entirely reported in the paragraph containing the reference. For further details on this, please refer to the Annex "Summary of references to qualitative information in the consolidated financial statements" of the Financial Statements of FinecoBank S.p.A..

Information regarding corporate governance and ownership structures, required pursuant to art. 123-bis, paragraph 3 of Legislative Decree February 24th 1998 n. 58, appear in a separate report approved by the Board of Directors, which can be consulted in the "Governance" section of the FinecoBank website (https://about.finecobank.com).

The Consolidated Non-Financial Statement (or Non-Financial Statement) of the FinecoBank Group, prepared pursuant to Legislative Decree 254/2016, constitutes a separate report approved by the Board of Directors, as required by the option of art. 5, paragraph 3, letter b) of Legislative Decree 254/2016, and can be consulted on the FinecoBank website (https://about.finecobank.com).

Introduction to the Annual Reports and Accounts

In addition, the following documents, drawn up in accordance with the relevant approval procedures, are also published and made available on the FinecoBank website (https://about.finecobank.com): the "Report on the remuneration policy and remuneration paid", drawn up in accordance with art. 123-ter of Legislative Decree no. 58 of 24 February 1998 and art. 84-quater, paragraph 1, of the Issuers' Regulation); the document "Country by Country Information", drawn up pursuant to art. 89 of Directive 2013/36/EU of the European Parliament and of the European Council (CRD IV), amended by Directive (EU) 2019/878 (so-called CRD V), and the document "Disclosure to the public of the FinecoBank Group - Pillar III as at December 31st, 2023", by Regulation (EU) 575/2013 (so called CRR) and subsequent Regulations amending its content.

Finally, it should be noted that, under Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815, it is mandatory for issuers of securities listed on regulated markets in the European Union to prepare their annual financial reports in the XHTML format and to tag their IFRS consolidated financial statements using the XBRL tagging language, based on the European Single Electronic Format (ESEF) approved by ESMA. The Group's Consolidated Annual Financial Report, which includes both the consolidated and parent company financial statements, is prepared in XHTML format and includes the tagging, in the consolidated financial statements, of the information required by the Regulations for 2023. In particular, issuers are required to mark all information disclosed in the IFRS consolidated financial statements, or through cross-references to other parts of the annual financial reports, that corresponds to the information specified in Annex II of the Delegated Regulation, if present in the IFRS consolidated financial statements. It can be consulted on FinecoBank's website (https://www.finecobank.com). For further information, please refer to the paragraph "The single electronic reporting format for preparing annual financial reports" in Part A - Accounting policies of the Notes to the consolidated accounts.

This document, PDF format, does not fulfill the obligations deriving from Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 (the "ESEF Regulation" - European Single Electronic Format) for which a dedicated XHTML format has been prepared.

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

Summary data

FinecoBank is one of the leading FinTech banks in Europe. Listed on the FTSE MIB, Fineco offers a unique business model in Europe, combining the best platforms with a large network of financial advisors (hereinafter Network). It offers banking, credit, trading and investment services from a single account through transactional and advisory platforms developed with proprietary technologies. Fineco is a leader in brokerage in Europe, and one of the most important players in private banking in Italy, with evolved and highly personalized advisory services. As at December 31st, 2023, the network consisted of 2,962 financial advisers, spread across the territory with 428 financial shops (Fineco Centres).

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

FinecoBank is listed on the Milan Stock Market and is included on Borsa Italiana's FTSE Mib index STOXX Europe 600 Index.

On October 25th, 2023, S&P Global Ratings agency confirmed the rating assigned to Fineco: "BBB" long-term with a stable outlook and maintaining "A-2" short-term.

FinecoBank is included in Borsa Italiana MIB ESG Index (Euronext), FTSE4Good, Bloomberg Gender Equality Index (GEI) 2023, S&P Global 1200 ESG Index, Standard Ethics Italian Banks Index, and Standard Ethics Italian Index sustainability indices. In addition:

- Standard Ethics: for the third year in a row confirmed "EE+" rating, positioning the Bank among the strongest sustainability ratings currently assigned in the banking sector;
- Sustainalytics: ESG risk rating of 14.3 (*Low risk*), confirming its ranking among the best banks at international level;
- S&P Global ESG Score: 68 points out of 100;
- CDP Climate Change[1]: rating of "B" obtained by first filling out the questionnaire, demonstrating that it addresses the environmental impacts of its activities and ensures good environmental management;
- MSCI: ESG rating of "AA" (*leader*) in the "*diversified financials*" sector;
- Moody's Analytics: ESG overall score of 57 points out of 100 (robust performance);
- LSEG ESG Score[2]: score of 82 out of 100, meaning excellent ESG performance and a high degree of transparency in public sustainability reporting.

In 2023, the Group recorded very robust growth, with results confirming a consolidation of its development path, reinforced by a strong customer drive in investments and an increased demand for advice, with customers increasingly interested in interacting with the markets through the investment platform. The attractiveness of the offer and the initiatives implemented throughout the country together with the Network are decisive for the strong acceleration of customers recorded especially in the last months of the year. Customers continue to reward the transparency of Fineco's approach and the high quality and completeness of the financial services summarised in the "one stop solution" concept. During 2023, 119,179 new customers were acquired, bringing the total to 1,562,907. Fineco AM also contributed to the 2023 result by offering a wide range of new investment strategies that are efficient, innovative and adapted to market developments.

Total net sales recorded in 2023 came to € 8,792 million, confirming its solidity even in a particularly complex market phase. In particular the net sales of assets under management and the net sales of assets under custody recorded positive net inflows of € 2,662 million and € 8,258 million respectively, also attracting part of the excess liquidity held by customers, resulting in negative direct net deposits of € 2,128 million. Fineco AM's ratio, calculated by comparing the company's net retail sales to net sales of assets under management, is 118% (77.4% in 2022). This is a result that confirms, on the one hand, the effectiveness of a business model capable of coping with difficult market phases and, on the other hand, an ever-increasing appetite for investment on a particularly advanced clientele. During 2023, net sales through the Network totalled € 7,110 million.

At the end of 2023, the balance of Total Financial Assets from customers stood at € 122,556 million, recording a 15% compared to € 106,558 million at the end of 2022, thanks to the net sales recorded in 2023 and to positive market effect. Fineco AM's asset under management totaled € 30,874 million, of which € 20,003 million are related to retail classes and € 10,871 million are related to institutional classes. This result highlights the ongoing acceleration in the company's growth process. FAM's ratio, calculated by relating the company's retail assets to the balance of assets under management, is 34.5%. As at December 31st, 2023 the balance of Total Financial Assets of the Network amounts to € 106,705 million. The balance of Total Financial Assets related to Private clients, i.e. with assets above € 500,000, totaled € 55,960 million, equals to 45.7% of the Group's Total Financial Assets, up by 23.7% compared to December 31st, 2022.

Credit quality remains high, driven by the principle of offering credit exclusively to existing customers, making use of specialist tools to analyse the bank's vast information base. The cost of risk, equal to 5 bps, is structurally low and net impaired loans was 0.07% of loans to ordinary customers as at December 31st, 2023 (0.06% as at December 31st, 2022).

[1] The rating for the reporting year 2023 was released in February 2024 as "C", placing the Group in the "awareness" range with respect to climate change issues and impacts.

[2] During second half 2023, the ESG rating of Refinitiv has been renamed as LSEG ESG Score.

Summary data

The brokerage business also performed strongly in 2023, with average monthly revenues more than 35% higher than in 2017-2019, thus confirming a structurally higher floor than pre-pandemic levels, regardless of market conditions.

The net profit for the year amounted to € 609.1 million, with an increase of 42.1% on the previous year (+42.0% compared to net profit for year 2022 adjusted for non-recurring items[3]). The cost/income ratio amounted to 24.1% (29.6% as at December 31st, 2022), confirming the operating efficiency of the Group and the spread of the company culture on controlling costs.

As at December 31st, 2023, the Common Equity Tier 1 ratio stood at 24.34%, up from 20.82% as at December 31st, 2022. The Leverage ratio stands at 4.95%, up from 4.03% as at the end of 2022. The Group's liquidity indicators at December 31st, 2023 are very strong: the Liquidity Coverage Ratio (LCR) of 823%[4] and the Net Stable Funding Ratio (NSFR) of 378%.

Condensed financial statements and indicators

The Consolidated Report on operations presents and illustrates the reclassified income statement and balance sheet (Alternative Performance Measures, "APMs"). The main reclassifications and aggregations of the items reported in the condensed financial statements are shown at the end of the Condensed Consolidated Income Statement and Condensed Consolidated Balance Sheet, whereas, the full reconciliation of which with the consolidated financial statements is shown in the Appendices "Reconciliation Schedules for the Preparation of the Reclassified Consolidated Financial Statements" (in line with Consob Communication No.6064293 of July 28th, 2006). In addition, other APMs are also used, the content and, where applicable, the calculation methods used of which are described in the Glossary (in line with the guidelines published on October 5th, 2015 by the European Securities and Markets Authority (ESMA/2015/1415)).

With reference to APMs, the European Securities and Markets Authority (ESMA) has issued specific guidelines[5] on the criteria for their presentation in regulated information, including therefore the Consolidated Financial Report, when such indicators are not defined or provided for in the financial reporting framework. These guidelines are intended to promote the usefulness and transparency of APMs, and compliance with them will improve the comparability, reliability and understandability of APMs, with consequent benefits for users of financial information. Consob has transposed the Guidelines in Italy and incorporated them into its own supervisory practices[6] . According to the definition of the ESMA Guidelines, an APM is an indicator of historical or future financial performance, financial position or cash flows that is different from a financial indicator defined or specified in applicable financial reporting frameworks and is usually derived from financial statement items prepared in accordance with applicable financial reporting frameworks. Indicators published in application of the prudential regulation do not strictly fall within the definition of APM.

[3] Cancellation of exposure in equity securities to the Voluntary Scheme established by the Interbank Deposit Protection Fund in the amount of € -0.3 million (net of tax effect).
[4] Calculated as the average of the liquidity coverage ratio based on month-end observations over the last 12 months for each quarter of the relevant reporting period, consistent with Pillar 3 Disclosures.
[5] ESMA/2015/1415.
[6] Consob Communication No. 0092543 of December 3rd, 2015.

Summary data

Condensed Accounts

Consolidated balance sheet

(Amounts in € thousand)

	Amounts as at		Changes	
ASSETS	**12/31/2023**	**12/31/2022**	**Amounts**	**%**
Cash and cash balances	2,266,550	1,469,713	796,837	54.2%
Financial assets held for trading	14,109	16,926	(2,817)	-16.6%
Loans and receivables to banks	376,373	426,696	(50,323)	-11.8%
Loans and receivables to customers	6,198,541	6,445,713	(247,172)	-3.8%
Financial investments	21,403,026	24,634,034	(3,231,008)	-13.1%
Hedging instruments	707,274	1,424,704	(717,430)	-50.4%
Property, plant and equipment	146,497	146,208	289	0.2%
Goodwill	89,602	89,602	-	n.a.
Other intangible assets	34,465	36,787	(2,322)	-6.3%
Tax assets	49,997	46,577	3,420	7.3%
Tax credits acquired	1,618,030	1,093,255	524,775	48.0%
Other assets	411,236	438,670	(27,434)	-6.3%
Total assets	**33,315,700**	**36,268,885**	**(2,953,185)**	**-8.1%**

(Amounts in € thousand)

	Amounts as at		Changes	
LIABILITIES AND SHAREHOLDERS' EQUITY	**12/31/2023**	**12/31/2022**	**Amounts**	**%**
Deposits from banks	866,978	1,677,235	(810,257)	-48.3%
Deposits from customers	28,757,589	31,695,647	(2,938,058)	-9.3%
Debt securities in issue	809,264	497,926	311,338	62.5%
Financial liabilities held for trading	6,997	4,574	2,423	53.0%
Hedging instruments	28,712	(3,180)	31,892	n.a.
Tax liabilities	86,706	42,627	44,079	103.4%
Other liabilities	564,778	443,659	121,119	27.3%
Shareholders' equity	2,194,676	1,910,397	284,279	14.9%
- capital and reserves	*1,592,305*	*1,479,771*	*112,534*	7.6%
- revaluation reserves	*(6,730)*	*2,121*	*(8,851)*	n.a.
- net profit	*609,101*	*428,505*	*180,596*	42.1%
Total liabilities and Shareholders' equity	**33,315,700**	**36,268,885**	**(2,953,185)**	**-8.1%**

Summary data

Consolidated balance sheet - Quarterly data

(Amounts in € thousand)

	Amounts as at				
ASSETS	**12/31/2023**	**09/30/2023**	**06/30/2023**	**03/31/2023**	**12/31/2022**
Cash and cash balances	2,266,550	1,797,852	1,518,628	1,414,068	1,469,713
Financial assets held for trading	14,109	21,354	16,868	15,730	16,926
Loans and receivables to banks	376,373	425,899	415,627	445,895	426,696
Loans and receivables to customers	6,198,541	6,058,003	6,184,498	6,311,901	6,445,713
Financial investments	21,403,026	21,626,742	22,613,241	24,350,662	24,634,034
Hedging instruments	707,274	1,028,424	1,028,822	1,300,265	1,424,704
Property, plant and equipment	146,497	141,156	143,799	142,637	146,208
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	34,465	34,841	35,788	35,875	36,787
Tax assets	49,997	60,133	46,100	46,987	46,577
Tax credits acquired	1,618,030	1,456,572	1,341,774	1,313,546	1,093,255
Other assets	411,236	346,201	381,175	413,399	438,670
Total assets	**33,315,700**	**33,086,779**	**33,815,922**	**35,880,567**	**36,268,885**

(Amounts in € thousand)

	Amounts as at				
LIABILITIES AND SHAREHOLDERS' EQUITY	**12/31/2023**	**09/30/2023**	**06/30/2023**	**03/31/2023**	**12/31/2022**
Deposits from banks	866,978	1,385,130	1,299,539	1,605,506	1,677,235
Deposits from customers	28,757,589	28,212,892	29,187,761	30,877,798	31,695,647
Debt securities in issue	809,264	807,409	803,054	798,748	497,926
Financial liabilities held for trading	6,997	7,554	8,538	7,208	4,574
Hedging instruments	28,712	(16,363)	(13,438)	(7,885)	(3,180)
Tax liabilities	86,706	137,320	65,017	105,386	42,627
Other liabilities	564,778	496,840	553,994	435,390	443,659
Shareholders' equity	2,194,676	2,055,997	1,911,457	2,058,416	1,910,397
- capital and reserves	*1,592,305*	*1,602,736*	*1,601,514*	*1,909,094*	*1,479,771*
- revaluation reserves	*(6,730)*	*(939)*	*1,063*	*2,070*	*2,121*
- net profit	*609,101*	*454,200*	*308,880*	*147,252*	*428,505*
Total liabilities and Shareholders' equity	**33,315,700**	**33,086,779**	**33,815,922**	**35,880,567**	**36,268,885**

Summary data

The main reclassifications and combinations of asset items of the condensed consolidated balance sheet concern the following:

- debt securities accounted for under item “40. Financial assets at amortised cost, a) loans and receivables to banks” and under item “40. Financial assets at amortised cost, b) loans and receivables to customers” were reclassified and shown under “Financial investments”. In the same combination, securities accounted for under item "20. Financial assets at fair value through profit and loss c) other financial assets mandatorily at fair value", "30. Financial assets at fair value through other comprehensive income" and "70. Equity investments”;
- financial assets accounted for under item “40. Financial assets at amortised cost, a) loans and receivables to banks” and under item “40. Financial assets at amortised cost, b) loans and receivables to customers” other than debt securities are shown, respectively, under item “Loans and receivables to banks” and “Loans and receivables to customers”;
- items “50. Hedging derivatives” and “60. Changes in fair value of portfolio hedged financial assets (+/-)” have been combined and shown under item “Hedging instruments” of assets on condensed consolidated balance sheet;
- the credits acquired as part of Decree Law 34/2020, recorded under item "130. Other assets", were reported under "Tax credits acquired”.

With reference to the liabilities of the condensed consolidated balance sheet, the main reclassifications and combinations of the items concern the following:

- items “40. Hedging derivatives” and “50. Changes in fair value of portfolio hedged financial liabilities (+/-)” have been combined and shown under item “Hedging instruments” of liabilities on condensed consolidated balance sheet;
- items “80. Other liabilities”, “90. Provision for employee severance pay” and “100. Provisions for risks and charges” have been combined and shown under item “Other liabilities”;
- items that represent the Shareholder’s equity have been combined and shown under item “Shareholders' equity”.

Summary data

Consolidated Income Statement

(Amounts in € thousand)

	Year		Changes	
	2023	2022	Amounts	%
Financial margin	687,956	392,200	295,756	75.4%
of which Net interest	687,748	342,796	344,952	100.6%
of which Profits from Treasury	208	49,404	(49,196)	-99.6%
Dividends and other income from equity investments	(68)	(276)	208	-75.4%
Net fee and commission income	489,906	465,627	24,279	5.2%
Net trading, hedging and fair value income	60,402	89,899	(29,497)	-32.8%
Net other expenses/income	(565)	156	(721)	n.a.
REVENUES	**1,237,631**	**947,606**	**290,025**	**30.6%**
Staff expenses	(126,867)	(117,294)	(9,573)	8.2%
Other administrative expenses	(307,918)	(273,486)	(34,432)	12.6%
Recovery of expenses	163,603	136,830	26,773	19.6%
Impairment/write-backs on intangible and tangible assets	(27,139)	(26,865)	(274)	1.0%
Operating costs	**(298,321)**	**(280,815)**	**(17,506)**	**6.2%**
OPERATING PROFIT (LOSS)	**939,310**	**666,791**	**272,519**	**40.9%**
Net impairment losses on loans and provisions for guarantees and commitments	(3,596)	(3,115)	(481)	15.4%
NET OPERATING PROFIT (LOSS)	**935,714**	**663,676**	**272,038**	**41.0%**
Other charges and provisions	(63,587)	(57,762)	(5,825)	10.1%
Net income from investments	111	(1,552)	1,663	n.a.
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**872,238**	**604,362**	**267,876**	**44.3%**
Income tax for the year	(263,137)	(175,857)	(87,280)	49.6%
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**609,101**	**428,505**	**180,596**	**42.1%**
PROFIT (LOSS) FOR THE YEAR	**609,101**	**428,505**	**180,596**	**42.1%**
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP	**609,101**	**428,505**	**180,596**	**42.1%**

Summary data

Consolidated Income Statement - Quarterly data

(Amounts in € thousand)

	2023			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Financial margin	157,431	170,847	180,184	179,494
of which Net interest	157,431	170,765	180,047	179,505
of which Profits from Treasury	-	82	137	(11)
Dividends and other income from equity investments	-	(6)	(28)	(34)
Net fee and commission income	120,871	121,254	120,074	127,707
Net trading, hedging and fair value income	15,123	14,956	16,249	14,074
Net other expenses/income	235	(19)	(479)	(302)
REVENUES	**293,660**	**307,032**	**316,000**	**320,939**
Staff expenses	(29,795)	(30,583)	(31,145)	(35,344)
Other administrative expenses	(74,630)	(72,727)	(76,613)	(83,948)
Recovery of expenses	37,625	38,832	43,366	43,780
Impairment/write-backs on intangible and tangible assets	(6,587)	(6,650)	(6,884)	(7,018)
Operating costs	**(73,387)**	**(71,128)**	**(71,276)**	**(82,530)**
OPERATING PROFIT (LOSS)	**220,273**	**235,904**	**244,724**	**238,409**
Net impairment losses on loans and provisions for guarantees and commitments	(664)	(1,415)	78	(1,595)
NET OPERATING PROFIT (LOSS)	**219,609**	**234,489**	**244,802**	**236,814**
Other charges and provisions	(9,269)	(2,737)	(39,974)	(11,607)
Net income from investments	(723)	142	692	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**209,617**	**231,894**	**205,520**	**225,207**
Income tax for the period	(62,365)	(70,266)	(60,200)	(70,306)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**147,252**	**161,628**	**145,320**	**154,901**
PROFIT (LOSS) FOR THE PERIOD	**147,252**	**161,628**	**145,320**	**154,901**
NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	**147,252**	**161,628**	**145,320**	**154,901**

Summary data

(Amounts in € thousand)

	2022			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Financial margin	107,461	68,946	84,219	131,574
of which Net interest	59,347	67,614	84,261	131,574
of which Profits from Treasury	48,114	1,332	(42)	-
Dividends and other income from equity investments	(45)	(103)	(20)	(108)
Net fee and commission income	118,637	113,877	114,105	119,008
Net trading, hedging and fair value income	28,989	25,854	21,212	13,844
Net other expenses/income	365	51	139	(399)
REVENUES	**255,407**	**208,625**	**219,655**	**263,919**
Staff expenses	(28,348)	(29,190)	(28,958)	(30,798)
Other administrative expenses	(69,366)	(64,998)	(65,477)	(73,645)
Recovery of expenses	35,335	33,728	33,250	34,517
Impairment/write-backs on intangible and tangible assets	(6,590)	(6,601)	(6,636)	(7,038)
Operating costs	**(68,969)**	**(67,061)**	**(67,821)**	**(76,964)**
OPERATING PROFIT (LOSS)	**186,438**	**141,564**	**151,834**	**186,955**
Net impairment losses on loans and provisions for guarantees and commitments	(801)	(424)	(292)	(1,598)
NET OPERATING PROFIT (LOSS)	**185,637**	**141,140**	**151,542**	**185,357**
Other charges and provisions	(10,239)	(2,259)	(41,617)	(3,647)
Net income from investments	(553)	(201)	(325)	(473)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**174,845**	**138,680**	**109,600**	**181,237**
Income tax for the period	(51,385)	(39,777)	(29,570)	(55,125)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**123,460**	**98,903**	**80,030**	**126,112**
PROFIT (LOSS) FOR THE PERIOD	**123,460**	**98,903**	**80,030**	**126,112**
NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	**123,460**	**98,903**	**80,030**	**126,112**

Summary data

The main reclassifications and combinations of items of the condensed consolidated income statement concern the following:

- under item "Financial margin" has been shown item "30. Net interest margin" and have been reclassified and shown gains and losses on disposal or repurchase of non-impaired debt securities accounted for item "100. Gains and losses on disposal or repurchase of: a) financial assets at amortised cost – debt securities" and "100. Gains (Losses) on disposal and repurchase of: b) financial assets at fair value through other comprehensive income – debt securities". In the same aggregate, income from securities lending activities performed by the Parent Company's treasury, recorded under item "40. Fee and commission income";
- under item "Dividends and other income from equity investments" have been reclassified writebacks (write-downs) of investments accounted for using the equity method, recorded under item "250. Profit (loss) on equity investments";
- item "Net fee and commission income" includes item "60. Net fee and commission income", less net commissions on Treasury securities lending carried out by Parent Company's treasury, and have been reclassified and shown the other charges/income related to the application of the Fixed Operating Expenses (FOE) model, recorded under item "230. Other net operating income";
- under item "Net trading, hedging and fair value income" have been aggregated and shown items "80. Gains (losses) on financial assets and liabilities held for trading", "90. Fair value adjustments in hedge accounting", "100. Gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income", less unimpaired debt securities shown under item "Financial margin", and "110. Gains (losses) on financial assets and liabilities at fair value through profit or loss". In the same aggregate have been reclassified and shown dividends and similar revenues from held-for-trading or mandatorily at fair value equity instruments, recorded under item "70. Dividend income and similar revenue";
- adjustments of leasehold improvements, recorded under item "230. Other net operating income", have been shown in item "Other administrative expenses";
- recovery of expenses, recorded under item "230. Other net operating income", have been shown in item "Recovery of expenses";
- contributions to the Single Resolution Fund (SRF) and Deposit Guarantee System (DGS), recorded under item "190. Administrative expenses - b) other administrative expenses", have been reclassified and shown in item "Other charges and provisions". In the same aggregate have been shown item "200. Net provisions for risks and charges";
- impairment losses/writebacks for credit risk on debt securities, recorded under item "130. Net impairment/write-backs for credit on: a) financial assets at amortised cost" and "130. Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income", have been reclassified and shown in item "Net income from investments"

Summary data

Main balance sheet figures

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amounts	%
Loans receivable with ordinary customers [1]	5,535,383	5,916,090	(380,707)	-6.4%
Total assets	33,315,700	36,268,885	(2,953,185)	-8.1%
Direct deposits [2]	28,441,830	30,569,876	(2,128,046)	-7.0%
Assets under administration [3]	94,114,670	75,987,994	18,126,676	23.9%
Total customers sales (direct and indirect)	122,556,500	106,557,870	15,998,630	15.0%
Shareholders' equity	2,194,676	1,910,397	284,279	14.9%

(1) Loans receivables to ordinary customers refer solely to loans granted to customers (current account overdrafts, credit cards, personal loans, mortgages and unsecured loans).
(2) Direct deposits include overdrawn current accounts and Cash Park deposit accounts.
(3) Assets under administration consist of products placed online or through FinecoBank personal financial advisors.

Operating structure

	Data as at	
	12/31/2023	12/31/2022
No. Employees	1,384	1,336
No. Personal financial advisors	2,962	2,918
No. Financial shops [1]	428	426

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

Summary data

Profitability, productivity and efficiency ratios

(Amounts in € thousand)

	Data as at	
	12/31/2023	12/31/2022
Financial margin/Revenues	55.59%	41.39%
Income from brokerage and other income/Revenues	44.42%	58.64%
Income from brokerage and other income/Operating costs	184.28%	197.88%
Cost/income ratio	24.10%	29.63%
Operating costs/TFA	0.26%	0.26%
Cost of risk	5 bps	4 bps
CoR (incentive system)	5 bps	4 bps
ROE	29.64%	23.54%
Return on assets	1.83%	1.18%
EVA (calculated on allocated capital)	539,809	367,339
EVA (calculated on accounting capital)	388,738	264,529
RARORAC (calculated on allocated capital)	85.02%	55.10%
RARORAC (calculated on accounting capital)	19.25%	14.75%
ROAC (calculated on allocated capital)	95.94%	64.28%
ROAC (calculated on accounting capital)	30.16%	23.89%
Total sales to customers/Average employees	90,115	80,695
Total customer sales/(Average employees + average PFAs)	28,502	25,526

Key

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

Cost/income ratio: Operating Costs divided by Revenues.

Operating costs/TFA: ratio of operating costs to Total Financial Assets (direct and indirect inflows). The TFA used for the ratio is the average for the year, calculated as the average between the balance as at December 31st, 2023 and the balance as at the previous December 31.

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

CoR (incentive system): is the ratio of Net impairment losses of commercial loans to customers in the last 12 months, including adjustments to the available margins of credit lines granted, to commercial loans and receivables to customers (average of the balance as at December 31st, 2023 and the balance at December 31st of the previous year).The scope only includes loans to ordinary customers.

ROE: ratio between the profit (poss) for the year and the average book shareholders' equity (excluding dividends expected to be distributed and the revaluation reserves) for the year (average between the amount of the end of year and the amount of the shareholders' equity as at December 31st of previous year).

Return on assets: ROA: ratio of profit (loss) for the year to total assets.

EVA (Economic Value Added): shows the firm's ability to create value; calculated as the difference between the profit (loss) for the year, excluding extraordinary charges/income and related tax effects (integration costs and net profits from extraordinary investments), and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital[7] absorbed either using the book value of shareholders' equity (average of single end quarters).

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

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

[7] Allocated capital is the greater of regulatory capital and economic capital. The economic capital as at December 31st, 2023 is maintained at the same level as at September 30th, 2023, the latest available figure.

Summary data

Balance Sheet indicators

	Data as at	
	12/31/2023	12/31/2022
Loans receivable to ordinary customers/Total assets	16.62%	16.31%
Loans and receivables to banks/Total assets	1.13%	1.18%
Financial assets/Total assets	64.24%	67.92%
Direct sales/Total liabilities and Shareholders' equity	85.37%	84.29%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	6.59%	5.27%
Ordinary customer loans/Direct deposits	19.46%	19.35%

Credit quality	Data as at	
	12/31/2023	12/31/2022
Non-performing loans/Loans receivable to ordinary customers	0.07%	0.06%
Bad loans/Loans receivable to ordinary customers	0.02%	0.02%
Coverage ratio[1] - Bad loans	93.07%	92.65%
Coverage ratio[1] - Unlikely to pay	67.96%	68.13%
Coverage ratio[1] - Impaired past-due exposures	56.85%	57.92%
Coverage ratio[1] - Total Non-performing loans	83.54%	86.02%

(1) Calculated as the ratio between the amount of write-down provision and gross exposure.

Consolidated Own funds and capital ratios

	Data as at	
	12/31/2023	12/31/2022
Common Equity Tier 1 Capital (€ thousand)	1,151,527	987,099
Total Own Funds (€ thousand)	1,651,527	1,487,099
Total risk-weighted assets (€ thousand)	4,731,105	4,740,149
Ratio - Common Equity Tier 1 Capital	24.34%	20.82%
Ratio - Tier 1 Capital	34.91%	31.37%
Ratio - Total Own Funds	34.91%	31.37%

	Data as at	
	12/31/2023	12/31/2022
Tier 1 Capital (€ thousand)	1,651,527	1,487,099
Exposure for leverage (€ thousand)	33,356,370	36,857,107
Leverage ratio	4.95%	4.04%

(2)

Summary data

Market share

Trading on Italian Stock Market (Assosim)	12/31/2023	12/31/2022
Third party volumes traded on MTA	26.85%	26.44%
Classification of third party volumes traded on MTA	1st	1st

Personal financial advisors (Assoreti)	12/31/2023	12/31/2022
Stock volumes	13.59%	13.34%
Stock Classification	2nd	2nd

Personal financial advisors (Assoreti)	12/31/2023	12/31/2022
Net Sales volumes	16.21%	19.55%
Net Sales Classification	2nd	2nd

Total Deposits (Bank of Italy)	09/30/2023	12/31/2022
Market share - Total Financial Assets	2.31%	2.22%
Market share - Direct Deposits	1.48%	1.70%
Market share - Assets under Administration	3.00%	2.69%

Some of the above figures refer to September 30th, 2023 as they are the latest figures available.

Summary data

The macroeconomic scenario and monetary policy

In early 2023, the global economy was more robust than at the end of 2022, thanks to the reopening of the Chinese economy and the resilience of United States labour markets. The difficulties in the United States banking sector at the beginning of March had repercussions for global financial markets, but since then, most asset prices have recovered from the losses incurred in the period.

At the end of 2023, global economic activity weakened: manufacturing output continued to stagnate and the dynamics of services lost momentum. In the United States, after the strong expansion in consumption in the third quarter, some signs of a slowdown in activity emerged; in China, the continuing crisis in the real estate sector is holding back growth, which remains well below the pre-pandemic period. International trade showed modest momentum, impacted by weak demand for goods and the global monetary tightening. After the pronounced volatility at the beginning of October, crude oil and natural gas prices declined and remained subdued despite the attacks on shipping traffic in the Red Sea. In the autumn, core inflation eased in the United States and the United Kingdom, where the respective central banks kept rates unchanged.

The euro area economy has weakened in the second half of 2023 as a result of tighter financing conditions, weak confidence and competitiveness losses, and is currently expected to recover at a slightly slower pace than foreseen in the European Central Bank's September 2023 expert macroeconomic projections. However, growth is expected to strengthen from early 2024 onwards, in an environment where real disposable income is expected to rise thanks to falling inflation, robust wage dynamics and resilient employment, while export dynamics should align with improvements in external demand. The tightening of the European Central Bank's monetary policy and unfavourable credit supply conditions continue to spill over into the economy, affecting short-term growth prospects. These effects are expected to wear off in the later part of the projection horizon, which should provide support for growth. Eurosystem experts expect the average annual real GDP growth rate to fall from 3.4% in 2022 to 0.6% in 2023, then rising to 0.8% in 2024 and stabilising at 1.5% in 2025 and 2026.

Overall, according to the macroeconomic projections formulated in December 2023 by the Eurosystem's experts, in a context where medium-term inflation expectations are expected to remain anchored to the European Central Bank's target of 2%, headline inflation as measured by the Harmonised Index of Consumer Prices (HICP) would fall from 5.4% in 2023 to an average of 2.7% in 2024, 2.1% in 2025 and 1.9% in 2026.

The tightening of monetary policy continued during the 2023 financial year; the Governing Council of the European Central Bank raised official rates by a total of 200 basis points between February and September, with interventions that raised the interest rates on main refinancing operations, marginal refinancing operations and deposits with the central bank to 4.50%, 4.75% and 4.00% respectively. At subsequent meetings, including that of January 24th, 2024, the Governing Council of the European Central Bank decided to keep the three key interest rates unchanged. Indeed, the Governing Council is determined to ensure a timely return of inflation to the 2% target in the medium term and considers that the key interest rates are at levels which, if maintained for a sufficiently long period, will make a substantial contribution to the achievement of that target. Future decisions will also ensure that key interest rates are set at sufficiently restrictive levels for as long as necessary.

In addition to the rise in official rates, in March 2023 the European Central Bank started the reduction of the APP (Asset Purchase Programme) portfolio at an average rate of € 15 billion per month, working through a reduction in reinvestments of capital maturities, and also announced the complete discontinuation of such reinvestments as of July.

The Governing Council announced its intention to continue reinvesting, in full, the principal repaid on maturing securities under the PEPP (pandemic emergency purchase programme) in the first part of 2024. In the second part of the year, however, it intends to reduce the PEPP portfolio by € 7.5 billion per month, on average, and to end reinvestments under this programme at the end of 2024. The Governing Council will continue to apply flexibility in the reinvestment of the principal repaid on maturing securities of the PEPP portfolio in order to counter the risks to the monetary policy transmission mechanism attributable to the pandemic.

Summary data

The Russian-Ukrainian conflict

As at December 31st, 2023, the context resulting from the Russia-Ukraine conflict in which the Group operates is substantially unchanged from that illustrated in the Annual Report as at December 31st, 2022.

In fact, the Group has no direct exposure to Russian assets affected by the conflict, and indirect exposures, represented by collateral received as part of pledge-backed financing transactions (Credit Lombard and pledged overdraft), are of insignificant amounts. The Group has no direct commodity exposures and has limited ruble exposure. With reference to: (i) obligations to freeze funds with respect to sanctioned persons and entities, (ii) restrictions on the buying and selling of certain securities because they are issued by or related to sanctioned issuers, (iii) restrictions on financial flows to and from Russia, both in terms of prohibiting credit exposure to sanctioned entities and in terms of prohibiting the acceptance of deposits from Russian nationals or individuals or legal entities residing in Russia subject to specific exceptions, (iv) to the obligations to report to the relevant authorities, the Group uses safeguards to monitor the names of sanctioned individuals and entities and the ISINs of sanctioned financial instruments, which are necessary to initiate the consequent asset freezing activities required by the regulations. As of December 31st, 2023, there were no direct or indirect exposures to individuals or entities subject to sanction measures applicable to the Group, so no asset freezing actions required by the regulations have been implemented on the individuals concerned. Finally, the Group constantly monitors the evolution of the regulatory framework of reference through information tools that enable the timely updating of the sanctions framework applicable to the Bank and the appropriate adjustment of the safeguards in place.

During 2023, therefore, there is no impact on the Group's economic and financial situation, and also from a prospective viewpoint there is no impact in terms of strategic orientation, objectives and business model.

Summary data

Events during the period

Issuance of a Senior Preferred bond

On February 16th, 2023, FinecoBank successfully completed the placement of its second issuance on the market of Senior Preferred notes, intended for qualified investors, in the amount of € 300 million. The issue, which is part of EMTN[8] (Euro Medium Term Notes) has an annual fixed rate coupon for the first 5 years equal to 4.625% (with a spread equal to 5 years Mid Swap rate + 150 basis points, compared to an initial guidance of 5 years Mid swap rate + 175 basis points), a floating rate between the fifth and sixth year, maturity 6 years with call option for the issuer on the fifth year. It's a public placement intended for trading on the regulated market managed by Euronext Dublin and has a rating of BBB (S&P Global Ratings).

The issue registered an order volume of € 1.2 billion, confirming the appreciation shown towards FinecoBank by the market also in the fixed-income segment. The placement allows the Parent Company to have an additional buffer above MREL LRE fully loaded requirement (MREL requirement calculated on leverage exposure).

Only institutional investors took part in the placement, mainly asset managers (71% of the total) and banks/private banks (19%), mainly based in Italy (36%), the United Kingdom (26%), France (16%), Germany and Austria (16%).

Shareholders' Meeting

On April 27th, 2023, the FinecoBank Shareholders' Meeting was held and resolved favorably on all items on the agenda.

In the ordinary session, the resolutions concerned:

- approval of the Financial Statements for the year 2022 of FinecoBank S.p.A.;
- allocation of FinecoBank S.p.A.'s 2022 net profit of the year;
- elimination of negative reserve not subject to change recognized in the FinecoBank S.p.A. financial statements by means of its definitive coverage;
- integration of the Independent Auditor's fees;
- determination of the number of Directors;
- determination of Directors' Term of Office.
- appointment of the Board of Directors;
- determination, pursuant to Article 20 of the Articles of Association, of the remuneration due to the Directors for their activities within the Board of Directors and Board Committees;
- appointment of the Board of Statutory Auditors;
- determination, pursuant to Article 23, paragraph 17, of the Articles of Association, of the remuneration due to the members of the Board of Statutory Auditors;
- Report on the remuneration policy 2023;
- Report on compensation paid in fiscal year 2022;
- 2023 Incentive System for Employees belonging to the Most Relevant Personnel;
- 2023 Incentive System for Financial Advisors identified as "Most Relevant Personnel";
- authorization to purchase and dispose of treasury shares to service the 2023 PFA System. Related and Consequential Resolutions.

At the extraordinary session, the resolutions concerned:

- the delegation to the Board of Directors, pursuant to Article 2443 of the Civil Code, of the power to resolve, also in several times and for a maximum period of five years from the date of the shareholders' meeting resolution, a free share capital increase, pursuant to Article 2349 of the Civil Code, for a maximum amount of € 177,097.47 (to be charged entirely to share capital), with the issuance of up to 536,659 new ordinary FinecoBank shares with a par value of € 0.33 each, having the same characteristics as those in circulation and regular dividend entitlement, to be allotted to FinecoBank's Most Relevant Personnel 2023, for the purpose of executing the 2023 Incentive System; consequent amendments to the Articles of Association;
- the delegation to the Board of Directors, pursuant to Article 2443 of the Civil Code, of the power to resolve in 2028 a free share capital increase, pursuant to Article 2349 of the Civil Code, of up to a maximum of € 27,921.96 corresponding to a maximum number of 84,621 ordinary FinecoBank shares with a par value of € 0.33 each, having the same characteristics as those in circulation, regular dividend entitlement, to be allotted to FinecoBank's 2022 Most Relevant Personnel, for the purpose of completing the execution of the 2022 Incentive System; consequent amendments to the Articles of Association.

With reference to the allocation of FinecoBank S.p.A.'s 2022 fiscal year results, the Shareholders' Meeting approved the proposals formulated by the Board of Directors, which provide, among other things, for the distribution to the Shareholders of a unit dividend of € 0.49 per share, for a total amount of € 299,2 million, which was put up for payment, in accordance with the applicable laws and regulations, on May 24th, 2023 with an "ex-dividend" date

[8] The EMTN programme was approved by Fineco's Board of Directors on December 15th, 2022 and finalised on February 13th, 2023.

of May 22th, 2023. Pursuant to Article 83-terdecies of Legislative Decree No. 58 of February 24, 1998 ("TUF"), those who were shareholders on the basis of the evidence of the accounts relating to the end of the accounting day of May 23rd, 2023 were, therefore, entitled to receive the dividend.

Operation aimed at the protection of Eurovita policy holders

On June 30th, 2023, on the initiative of the Ministry of Economy and Finance, Ministry of Enterprises and Made in Italy, and with the collaboration of the Supervisory Committee and the Extraordinary Commissioner of Eurovita, an agreement has been reached among the banks distribuiting Eurovita policies, FinecoBank included, the five main Italian insurance companies (Allianz Italia, Intesa Sanpaolo Vita, Generali Italia, Poste Vita and Unipol SAI) and some of the main banks operating in Italy (Banca Monte dei Paschi di Siena, BPER, Banco BPM, Credit Agricole Italia, Intesa Sanpaolo and Mediobanca), for an operation aimed at the protection of Eurovita policy holders.

IVASS and Bank of Italy have closely monitored the operation's definition within their institutional roles and have welcomed the agreement. The agreement, shared by all the participants, is aimed at guaranteeing the full protection of investors who subscribed Eurovita policies: in this framework, indeed, it was envisaged that, upon completion of the operation, the entire insurance portfolio of distributors banks will be taken over by the five insurance companies that would therefore become the new reference insurance companies for current customers. Furthermore, the plan required, as an intermediate technical step, the initial transfer of the policies to a newly established insurance company, Cronos Vita S.p.A., which is owned by the five insurance companies mentioned.

On September 27th, 2023, the Parent signed the contractual documentation relating to the transaction, which specifically provides for the execution of a financing agreement ("Financing Agreement") relating to the granting by FinecoBank to Cronos Vita S.p.A. of a loan for a maximum amount of € 555 million with a maturity date falling on the eighth anniversary of the day following the closing date on October 31st, 2023. The effectiveness of the financing was subject to the occurrence of certain conditions by the same closing date, among which, in particular, the completion of the sale of the business unit from Eurovita to Cronos Vita S. p.A. and the authorisation by IVASS (i) of the transfer of the assets from the ledger of the relevant Separate Account to the book value of the Separate Account and the allocation of the same to the free assets of Cronos Vita S.p.A.; (ii) the carrying out by Cronos Vita S.p.A. of the life insurance business to which the Policies relate. The financing shall be secured by:

- collaterals established in accordance with the provisions of, inter alia, Legislative Decree No. 170/2004 (to the extent applicable), relating to the financial instruments identified in application of the asset selection criteria set out in the Loan Agreement (the "Relevant Assets Financial Guarantee"); and
- a first demand surety guarantee issued by the five insurance companies participating in the capital of Cronos Vita S.p.A. for a total guaranteed amount equal to 120% of the maximum amount of the loan to guarantee the full and punctual fulfilment by Cronos S.p.A. of all obligations arising from the Loan Agreement (so-called Insurance Companies Guarantee).

The Parent Company has also entered into a servicing agreement whereby FinecoBank grants Cronos Vita S.p.A., which accepts, the assignment to perform certain services relating to the policies included in the servicing portfolio.

Lastly, to the extent that it is necessary, it should be noted that the Parent Company has also signed a cost rebalancing agreement with the other distributing banks, on the basis of which the banks that have distributed policies belonging to risk class III undertake to pay, each according to specific percentages in favour of the banks that have distributed policies belonging to risk class I and V, a maximum annual amount equal to 30% of the costs sustained by the latter, for a period of eight years from the date on which the above-mentioned contracts come into force and become effective.

2023 EU-Wide Stress test results

During the first half of 2023, the FinecoBank Group participated for the first time in the EU-wide stress test conducted by the European Central Bank (ECB) and the European Banking Authority (EBA), in collaboration with the Bank of Italy and the European Systemic Risk Board (ESRB).

On July 28th, 2023, the results of the above-mentioned EU-wide stress test were published, confirming FinecoBank's capital strength: the impact on capital ratios, less than 300 bps in the adverse scenario, places the Group among the top three Italian banks subjected to the stress test exercise and among the best in Europe. The results of the 2023 EU-wide stress test will be used by the competent authorities, as part of the SREP (Supervisory Review and Evaluation Process), to assess FinecoBank's ability to comply with prudential requirements under stress scenarios.

Summary data

Decree-Law No. 104 of 10 August 2023 ("Omnibus Decree")

Article 26 of Decree-Law No. 104 of August 10th, 2023, as it appears after the amendments approved upon its conversion into law, provides for an extraordinary tax to be borne by banks for the year 2023 in connection with the increase in interest rates and the cost of credit. The tax is determined by applying a rate equal to 40% on the amount of the interest margin included in item 30 of the profit and loss account prepared in accordance with the formats approved by the Bank of Italy relating to the financial year prior to the financial year current on January 1st, 2024, that exceeds the same margin recognised in the financial year prior to the financial year current on January 1st, 2022, by at least 10%.

The amount of the extra tax, in any case, may not exceed a portion equal to 0.26% of the total amount of the risk exposure on an individual basis, determined in accordance with paragraphs 3 and 4 of Article 92 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26th, 2013, with reference to the closing date of the financial year prior to the financial year current on January 1st, 2023.

In lieu of the payment, provision is made for the possibility of allocating to a non-distributable reserve identified for this purpose, at the time of approval of the financial statements for the financial year prior to the financial year current on January 1st, 2024, an amount not less than two and a half times the tax due. This reserve meets the conditions set out in Regulation (EU) No. 575/2013 for its eligibility as an element of primary tier 1 capital. In the event of operating losses or operating profits of an amount less than the aforementioned amount, the reserve shall also be established or supplemented by using profits from previous financial years as a priority, starting with the most recent ones, and thereafter other available capital reserves.

The Board of Directors of FinecoBank held on October 10th, 2023, resolved to propose in the explanatory report to the 2023 Financial Statements, at the 2024 Annual Shareholders' Meeting, the allocation of a portion of the profit to the aforementioned reserve, based on the provisions of the conversion into law of Article 26 of Decree-Law No. 104 of August 10th, 2023. Taking into account the characteristics of the law and the decision of the Board of Directors not to settle the tax and to set up the specific reserve that is unavailable, no charge and obligation to pay the tax has been recognised in the Consolidated Financial Statements as at December 31st, 2023 (the accounting of the aforementioned reserve will take place following the shareholders' resolution).

Business performance

Performance of total financial assets

Despite a particularly complex market phase, the solidity of the Group's growth path enabled it to record a total net sales of € 8,792 million in 2023. This is a result that confirms the Network's ability to intercept customers' needs at all stages of the market and to support them in effective, long-term planning.

As at December 31st, 2023 the balance of total financial assets (direct and indirect) amounted to € 122,557 million up 15% compared to December 31st, 2022, thanks to Assets under Custody-AUC and Assets under Management-AUM during the period and to the positive market effect, partially offset by a decrease in direct deposits due to investments in government bonds and asset management products made by customers with excess liquidity. The balance of indirect total financial assets (Assets Under Management-AUM and Assets Under Custody-AUC) amounted to € 94,115 million, up from € 75,988 million as at December 31st, 2022 (+23.9%).

Direct deposits, amounting to € 28,442, is driven by the high appreciation degree of the quality of services offered by the Group – indeed the preponderant amount of direct deposits is of a "transactional" nature, supporting the overall operations of customers.

The table below shows the figures for the balance of direct and indirect deposits of the Bank's customers, including both those linked to a personal financial advisor and those operating exclusively through the online channel.

Total financial assets

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	12/31/2023	Comp%	12/31/2022	Comp%	Absolute	%
Current accounts and demand deposits	27,748,318	22.6%	30,569,876	28.7%	(2,821,558)	-9.2%
Time deposits and reverse repos	693,512	0.6%	-	0.0%	693,512	n.a.
DIRECT DEPOSITS	**28,441,830**	**23.2%**	**30,569,876**	**28.7%**	**(2,128,046)**	**-7.0%**
Segregated accounts	364,520	0.3%	318,115	0.3%	46,405	14.6%
UCITS and other investment funds	38,838,704	31.7%	33,827,309	31.7%	5,011,395	14.8%
Insurance products	13,760,462	11.2%	15,595,412	14.6%	(1,834,950)	-11.8%
Asset under custody and Direct deposits under advisory	5,052,451	4.1%	2,331,802	2.2%	2,720,649	116.7%
ASSETS UNDER MANAGEMENT BALANCE	**58,016,137**	**47.3%**	**52,072,638**	**48.9%**	**5,943,499**	**11.4%**
Government securities, bonds and stocks	36,098,533	29.5%	23,915,356	22.4%	12,183,177	50.9%
ASSETS UNDER CUSTODY	**36,098,533**	**29.5%**	**23,915,356**	**22.4%**	**12,183,177**	**50.9%**
TOTAL FINANCIAL ASSETS	**122,556,500**	**100.0%**	**106,557,870**	**100.0%**	**15,998,630**	**15.0%**
of which Guided products & services	46,544,051	38.0%	40,221,024	37.7%	6,323,027	15.7%

It should be noted that the percentage reported for Guided products & Services, which is equal to 38% as at December 31st, 2023, is calculated by comparing their amounts with total financial assets amounts.

Business performance

The table below shows the figures for net direct sales, assets under management and assets under administration during 2023 compared with the same period of the previous year, for both customers linked to a personal financial advisor and online-only customers.

Net sales

(Amounts in € thousand)

	Year 2023	Comp %	Year 2022	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	(2,821,558)	-32.1%	1,074,585	10.5%	(3,896,143)	n.a.
Time deposits and reverse repos	693,508	7.9%	(1)	0.0%	693,509	n.a.
DIRECT DEPOSITS	**(2,128,050)**	**-24.2%**	**1,074,584**	**10.5%**	**(3,202,634)**	**-298.0%**
Segregated accounts	20,897	0.2%	29,298	0.3%	(8,401)	-28.7%
UCITS and other investment funds	2,594,318	29.5%	1,718,166	16.7%	876,152	51.0%
Insurance products	(2,366,563)	-26.9%	1,288,819	12.6%	(3,655,382)	-283.6%
Asset under custody and Direct deposits under advisory	2,413,347	27.4%	542,651	5.3%	1,870,696	n.a.
ASSETS UNDER MANAGEMENT	**2,661,999**	**30.3%**	**3,578,934**	**34.9%**	**(916,935)**	**-25.6%**
Government securities, bonds and stocks	8,258,439	93.9%	5,605,749	54.6%	2,652,690	47.3%
ASSETS UNDER ADMINISTRATION	**8,258,439**	**93.9%**	**5,605,749**	**54.6%**	**2,652,690**	**47.3%**
NET SALES	**8,792,388**	**100.0%**	**10,259,267**	**100.0%**	**(1,466,879)**	**-14.3%**
of which Guided products & services	3,809,380	43.3%	3,491,748	34.0%	317,632	9.1%

It should be noted that the percentage reported for Guided products & Services, which is equal to 43.3% as at December 31st, 2023, is calculated by comparing their amounts with total net sales amounts.

Business performance

Performance of main balance sheet aggregates

Cash and cash balances amounted to € 2,266.6 million up by € 796.8 million from December 31st, 2022 (€ 1,469.7 million). The item consisted mainly from the overnight deposit opened at the Bank of Italy, for a total amount of € 1,932 million, the liquidity deposited to the Bank of Italy net of the stock related to the minimum reserve requirement allocated for the current reporting period, which is represented in the item Loans and receivables to banks, in the amount of € 1.5 million, as well as liquidity deposited on current accounts with credit institutions for the settlement of payment transactions, for the settlement of securities transactions, for the management of the liquidity of UK customers and for the management of Fineco AM's liquidity, for an amount of € 333 million.

Loans and receivables to banks amounted to € 376.4 million, decreasing by € 50.3 million compared to December 31st, 2022, mainly due to the decrease in the minimum reserve requirement for the current reporting period.

Loans and receivables to customers came to € 6,198.5 million with a decrease of € 247.2 million compared to December 31st, 2022. During 2023, € 180 million in personal loans and € 134 million in mortgages were granted and € 907 million in current account overdrafts were arranged, of which € 894 million guaranteed, and loans were disbursed to Cronos Vita Assicurazioni S.p.A. totalling € 292.5 million. Impaired loans net of impairment losses totalled € 4 million (€ 3.5 million as at December 31st, 2022), with a coverage ratio of 83.5%. The ratio between impaired loans and total loans to ordinary customers was confirmed equal to 0.07% (0.06% as at December 31st, 2022).

Financial investments came to € 21,403 million, decreasing by € 3,231 million compared to December 31st, 2022, mainly due to the sales and repayments of debt securities at amortised cost during the year. The carrying amount of the debt securities issued by the UniCredit S.p.A. amounted to € 628.1 million, down compared to € 1,681.3 million recorded as at December 31st, 2022 due to the repayment of securities maturing during 2023. It should be noted that this item includes the net negative valuation of fixed-rate securities specifically hedged against interest rate risk, in the amount of € 641 million (€ 1,416.6 million at 31 December 2022).

Hedges recognised as assets in the balance sheet amounted to € 707.3 million and include the positive fair value valuation of hedging derivatives and the value adjustment of assets subject to generic hedging, represented by fixed-rate mortgages. **Hedges recognised as liabilities** in the balance sheet amounted to € 28.7 million and include the negative fair value measurement of hedging derivatives and the value adjustment of liabilities subject to generic hedging, represented by direct funding from customers. The negative change in hedging derivative contracts recognized in 2023 is attributable to both the closure of certain derivative contracts at the same time as the sale of the hedged debt securities and the reduction in fair value of existing contracts. The valuation of the hedged items, as a result, evolved in the opposite direction, recording a positive change. It should be noted that the negative change recorded by securities specifically hedged is shown in Other Financial investments item, as described above.

Tax credits acquired amounted to € 1,618 million. The item includes the carrying amount of tax credits purchased during under Decree-Law 34/2020 and subsequent updates, that increased compared to € 1,093.3 million as at December 31st, 2022, due to purchases made in 2023 which were higher than the amounts offset.

Deposits from banks totaled € 867 million, showing a decrease of € 810.3 million compared to December 31st, 2022, mainly attributable to the reduction in variation margins received for derivative transactions as a result of the closure of certain hedging derivative contracts, as described above, and the negative change in fair value recorded by hedging derivative contracts.

Deposits from customers came to € 28,757.6 million, showing a decrease of € 2,938.1 million compared to December 31st, 2022, due to the reduction in direct deposits on current accounts from customers (- € 2,128 million), flowed into products of assets under administration and management, as described above, and the reduction in funding activities made by the parent company treasury through repos on the Repo MTS market (- € 834.4 million).

Debt securities in issue, amounted to € 809.3 million, exclusively include the Senior Preferred Bond issued by FinecoBank. During 2023, the Bank successfully completed the placement of its second market issue of Senior Preferred Bonds in the nominal amount of € 300 million.

Shareholders' equity amounted to € 2,194.7 million, increasing by € 284,3 million from December 31st, 2022, mainly thanks to the profit for 2023, amounted to € 609.1 million, which more than offset the main reductions recognised in the year, due to the distribution of dividends resolved by the Shareholders' Meeting of April 27th, 2023, totalling € 299.2 million, and the payment of coupons on the AT1 instruments issued by FinecoBank, the amount of which, net of the related taxation, resulted in a reduction in Shareholders' equity of € 21.6 million.

Business performance

Performance of main income statement aggregates

Revenues amounted to € 1,237.6 million, registering a 30.6% increase compared to the € 947.6 million recorded in 2022, mainly thanks to the contribution of Financial margin, Net fee and commission income, partially offset by the decrease in Net trading, hedging and fair value income.

Financial margin increased of 75.4% compared to 2022 (+ € 295.8 million) supported by the **Interest margin** which increased by 100.6% compared to previous year (+ € 345 million) mainly thanks to the rise in market interest rates. **Profits from Treasury**, instead, decreased by € 49.2 million compared to 2022.

Net fee and commission income increased by € 24.3 million compared to the previous year, mainly attributable to commissions generated by Investing (+ € 20.9 million) thanks to the greater contribution of Fineco AM and the growth in AUM, and to commissions generated by Brokerage (+ € 5.4 million). During 2023, the subsidiary Fineco AM generated net commissions of € 115.7 million.

Net trading, hedging and fair value income amounted to € 60.4 million and decreased by € 29.5 million compared to previous year. This item mainly includes profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency. The item also includes the ineffectiveness component of hedging transactions, amounting to - € 7.2 million (€ 12.2 million in 2022), determined by the application of different curves for the fair value valuation of derivative contracts hedging interest rate risk and hedged items as part of fair value hedge transactions.

Operating costs increased by € 17.5 million compared to the previous year (+ € 9.6 million for "Staff expenses", + € 7.6 million for "Other administrative expenses net of Recovery of expenses" and + € 0.3 million for "Impairment/write-backs on intangible and tangible assets"). The 6.2% increase in operating costs is mainly determined by expenses closely linked to the growth of the business (assets, volumes, customers and structure), certified by a cost/income ratio of 24.1% (29.6% as at December 31st, 2022) confirming the Group's strong operating leverage and widespread corporate culture of cost management.

Net impairment losses on loans and provisions for guarantees and commitments in 2023 amounted to - € 3.6 million (- € 3.1 million in 2022). The cost of risk is 5 basis point.

Other charges and provisions amounted to € 63.6 million, up 10.1% compared to 2022. The item includes the annual contributions paid to the Interbank Deposit Guarantee Fund within the framework of the Deposit Guarantee Scheme (DGS), for a total amount of € 35 million (€ 40 million paid in the previous year), and the ordinary annual contribution paid to the Single Resolution Fund within the framework of Directive 2014/59/EU, for an amount of € 6.6 million (€ 7.6 million paid in the previous year). In addition, in 2023, a provision was recognised for obligations arising from the cost rebalancing agreement that the Parent Company signed with the other distributing banks as part of the operation aimed at protecting Eurovita policyholders described above.

Net income from investments stood at € 0.1 million (- €1.6 million in 2022).

Profit before tax from continuing operations amounted to € 872.2 million, up 44.3% compared to the previous year (+44.2% excluding the non-recurring items booked in 2022[9]), mainly thanks to higher Financial margin (+ € 295.8 million) and Net fee and commission income (+ € 24.3 million), partially offset by Net trading, hedging and fair value income (- € 29.5 million) and the growth of Operating costs (+ € 17.5 million).

Net profit for the year amounted to € 609.1 million, increasing by 42.1% compared to € 428.5 million of the previous year (+42.0% excluding the non-recurring items accounted for in 2022[10]).

[9] Fair value change and cancellation of exposure in equity securities to the Voluntary Scheme established by the Interbank Deposit Protection Fund in the amount of € -0.5 million (gross of tax effect).
[10] Fair value change and cancellation of exposure in equity securities to the Voluntary Scheme established by the Interbank Deposit Protection Fund in the amount of € -0.3 million (net tax effect).

Business performance

Communications and external relations

During year 2023, characterised by a significant complexity of the financial markets, the Group's communication activity focused on investigating the consequences for savers and the possible strategies to be implemented, also through interviews with the Bank's main representatives. In this context, the new communication campaign was presented on March 7th, 2023, a clear departure from the "We are Fineco" concept launched in 2020 and shifting the focus from the brand to people, with their needs and desires. The campaign was inspired by the results of a survey conducted by Research Dogma, which investigated the relationship of Italians with time, noting a growing climate of uncertainty about the future, but also the discovery of new priorities to which to dedicate time and attention.

As part of the same campaign, the podcast “Se potessi avere” (“If I could have”) was launched. Fifteen episodes were produced between April and December in which as many protagonists tell their stories of change: these are people who have decided to question themselves and start again by choosing another job or a new approach to important issues such as time, energy and mental health. The podcast talks about how money and savings have influenced these choices and why it is important to talk about how wise management of personal wealth and a careful analysis of the economic fallout can also have a positive influence on everyone's life.

During 2023, four advertising flights were planned, involving, in addition to TV, radio and print media, digital and outdoor at national level. In addition, in the flight planned in September and October, the Fineco Days operation was launched, with the aim of supporting the network of personal financial advisors working in the territory in a series of events aimed at involving customers.

Communication also focused on presenting the new platform for advanced consultancy, Advice+, and on supporting the Network at a territorial level, through articles and editorials published in local newspapers to illustrate the services available to savers, with a focus on consultancy-related issues. At national level, communication focused on the Network's capillarity, supporting recruitment activities with numerous articles and interviews with area managers to announce new entries. In this regard, particular attention was paid to the initiatives implemented to encourage the training and entry of young professionals, both by interviews dedicated to the characteristics of the Youth Project, and by supporting media enquiries committed to investigating the issue of generational renewal in consultancy. In this context, it should be noted that the Supervisory and Regulatory Body for the Single Register of Financial Advisors confirmed that in 2023 Fineco will again rank first among networks in terms of the percentage of under-30s out of the total number of financial advisors.

A further strand for communication activities concerned sustainability issues, starting with initiatives linked to fostering a positive and stimulating work environment. Fineco was confirmed as "Top Employer Italy" again in 2023, thanks to the attention dedicated to enhancing the value of resources and developing skills; furthermore, the "Diversity Leaders" survey, carried out by Statista with the Financial Times, placed Fineco in first place in Italy and sixth in Europe among the companies most attentive to diversity and inclusion issues.

The Bank was named among the winners of the EMAS Italia 2023 Award, in the category dedicated to the most effective and innovative initiatives in the use of the EMAS logo in corporate communication. This is an EU-wide recognition of excellence, awarded to organisations that adopt an environmental policy capable of reducing impacts in a concrete and measurable way.

As far as social aspects are concerned, Fineco AM also supported the second edition of AIxGirls, the first women's tech camp in artificial intelligence and data science, dedicated to girls in the fourth year of high school: a training course with the aim of guiding young girls towards the choice of STEM faculties (science, technology, engineering and mathematics faculties) at the end of their high school education. Fineco AM also developed in cooperation with Feduf (Foundation for Financial Education and Savings) a financial education project, involving around 700 students in the first two years of high schools in Rome, Milan and Naples: the initiative ended in December and involved the Taxi 1729 group, made up of educators and experts who developed innovative methods to enthuse young people about financial education issues.

Lastly, FinecoBank continued to support the initiatives organised by TEDxMilano, concretising its commitment by supporting the great TEDx Milano presence event “Da cosa nasce cosa” ("From one thing comes one thing"). The event focused on the ever-closer relationships and connections between the actions of the individual and the actions of the community in a global community. More than 1,500 participants and 11 speakers from a wide range of sectors made valuable contributions on stage to engage the community in creating positive impact on the territory, developing cultural contaminations and designing a sustainable society of the future, a mission that the Group shares.

Business performance

Main environmental protection initiatives

Also for 2023, the Group has confirmed its collaboration with FAI (Italian Environment Fund). Fineco continues to be Corporate Golden Donor of FAI since 2017, a qualification that rewards the companies most active in the field of culture and protection of the territory's artistic heritage. Fineco was also the main sponsor of the "FAI Spring Days" in the 2023 edition, the biggest street festivals dedicated to Italy's cultural heritage and landscape, with more than 1,000 openings.

The project launched by the City of Milan “Cura e adotta il verde pubblico” (“Care and adopt public green areas”), has been renewed until 2024 with a partnership for the redevelopment of urban green areas in the Lombard capital, in the area between Corso Como, Corso Garibaldi and Largo La Foppa. The objective of the three-year sponsorship project is to contribute to the conservation and improvement of existing green areas.

The project with Lifegate has expanded and transformed, from the Plasticless project to the new Water Defenders Alliance: a group of stakeholders who united can concretely fight the issue of water pollution in our seas. This initiative consists of activities to reduce plastics from the seas, an operation to clean the seabed in Liguria (the “Smart Bay” project), and a joint action with ports to combat the presence of hydrocarbons on the water surfaces of some Italian ports.

Main solidarity initiatives

In 2023 Fineco continued its commitment to supporting the community.

In the first half of the year, during the earthquake emergency that struck Syria and Turkey, FinecoBank supported Save the Children, which was active in the territories with the distribution of basic necessities and support for the populations affected. Fineco also contributed to fundraising for the Italian Red Cross, which intervened in Emilia-Romagna to rescue and evacuate the population following the floods that hit the area. In addition, in May, Fineco supported Pic Nic Theodora, one of the association's two main fundraising events, whose mission is to bring moments of play, listening and escape to children in hospital thanks to the personalised visits of Doctor Dreams, professional artists, hired and trained by the Theodora Foundation to work in highly complex paediatric wards.

Fineco's traditional Christmas solidarity campaign was launched in the second half of 2023, which combines a donation from the Bank with customer participation on the Bank's website. Four areas of intervention were selected, through the support of projects selected from those of Associations active throughout the country.

In the area of child protection and illness, Fineco supported the Ronald McDonald's Foundation and in particular the "Adopt a family" project, thanks to which it will be possible to support the stay in the Ronald Homes and Family Rooms of the families of children hospitalised at the Foundation's partner hospitals.

As regards the fight against gender-based violence and support for social inclusion, the Bank has contributed to the “Dai segni ai sogni” project, the training course with which the Libellula Foundation helps social-health staff in hospitals and emergency rooms to recognise the signs of domestic violence even when they are not visible.

In the second half of 2023, Fineco also directly supported other non-profit associations: "I Semprevivi", VIDAS, "Terre des Hommes" and "Amici del Cenacolo".

Sustainability

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

Specifically, in the area of responsible finance, about 48% of Fineco AM's funds were related to funds that promote, among other features, environmental or social characteristics, or a combination thereof (ex-Article 8 SFDR), while 2% were related to funds with a sustainable investment objective (ex-Article 9 SFDR). As of the same date, at the Group level about 62% of the funds distributed in the Fineco platform were classified as ex-Article 8 SFDR, while about 5% were classified as ex-Article 9.

In the area of responsible finance, the Bank has two collateral switch transactions (collateralised securities lending) with ESG criteria. Compared to traditional transactions, these transactions envisage the payment of an extra fee related to Fineco's achievement of the following sustainability targets: (i) 100% of new ESG-rated funds placed on the Italian platform between 31 December 2021 and 31 December 2023 (ii) S&P Corporate Sustainability Assessment score greater than 67 out of 100. When the transactions expire, set for April 2024, the extra fee will be paid to Fineco by the counterparty and retroceded by Fineco to Save the Children if the Bank reaches the agreed targets, while it will be retroceded directly by the counterparty to Save the Children if Fineco does not reach the targets.

As part of the management of environmental impacts, in June 2023 FinecoBank successfully passed the second third-party audit to maintain its Eco-Management and Audit Scheme (EMAS)-certified Environmental Management System (EMS), an EU-wide recognition of excellence awarded to organisations that adopt an environmental policy capable of reducing impacts in a concrete and measurable way, developing new solutions to foster sustainability. As part of the EMS activities, a series of initiatives were also developed aimed at enhancing the recognition obtained, through, *inter alia*, the promotion of the EMAS logo in the commercial network and the involvement of employees through an awareness campaign on virtuous behaviors to be adopted in the office.

2023 also saw the continuation and conclusion of the Fineco Impact initiative, a challenge promoted by the Fineco Ambassador Club in collaboration with LifeGate, with the aim of supporting sustainable and innovative startups on their path to growth. Three startups emerged as winners, awarded for their ability to combine technology, sustainability and the human factor, with the aim of generating a positive impact on society and the environment.

Fineco, as previously mentioned, also joined the Water Defenders Alliance, the alliance promoted by LifeGate to respond concretely to water problems and reduce pollution in Italy's seas.

Regarding social aspects, during the year the new wellbeing area was inaugurated in the Milan headquarters, a multifunctional space dedicated to employees, which provides a range of wellness-related services, including a lunch and break area, thanks to the partnership with Foorban, and a Mobility area (equipped with locker rooms and showers), which offers fitness classes and to better manage home-to-work travel.

The new edition of AIxGirls also took place, the summer campus on artificial intelligence and data science dedicated to fourth grade girls, which, for the second year in a row, was supported by Fineco AM.

In December 2023, the new ESG Multi-Year Plan (MYP) 2024-2026 was adopted, setting new objectives and targets. The MYP ESG 2024-2026 is fully integrated into the Group's strategy, aiming to combine business growth and financial strength with social and environmental sustainability, creating long-term value for all stakeholders. The MYP ESG 2024-2026 includes, in particular, the objectives and targets that the Bank has set as part of its gender equality management system, which was certified in accordance with UNI PdR 125:2022 in December 2023.

With reference to the inclusion in sustainability indexes and ESG rating agency ratings, please refer to the "Summary Data" chapter.

Awards

Below are the awards given to Fineco in 2023:

- **Top Employer Italia**: FinecoBank received in 2023 for the fifth consecutive year, the Top Employer Italia certification, awarded to companies that stand out for excellence in HR strategies and policies;
- **MF Investment & Advisor Awards 2023 – Best in ESG**: FinecoBank, Network of financial advisors with the best Standard Ethics sustainability rating;
- **MF ESG Awards - Best ESG Rating Award**: for the best Standard Ethics agency rating in the banking sector;
- **Sustainability Leaders 2023**: the publication, edited by Statista, a company specialising in market research, ranking and analysis of corporate data - recognises FinecoBank among Italian companies that have distinguished themselves on ESG issues;
- **Most climate-conscious companies 2023**: the publication - also edited by Statista - recognises FinecoBank among the Italian companies that have most reduced the ratio of CO2 emissions to revenues;
- **Best Company in ESG (Mid Cap):** again in 2023 Fineco won several awards from Institutional Investor, one of the most authoritative international financial industry publications, in the small-mid cap banking category, including Best ESG Program and Best Company Board;
- **Forum Bank Awards 2023**: Fineco won the award for Best ESG Project related to the mid banks segment;
- **EMAS Italy 2023 Award**: FinecoBank received the award in the category dedicated to the most effective and innovative initiatives to use the EMAS logo in corporate communications;
- **FT Diversity Leaders 2024**: Fineco ranked first in Italy, sixth in Europe, among the 50 nominated companies in Europe's Diversity Leaders ranking. The survey published by Financial Times and Statista was conducted by selecting european companies that interpret the values of diversity and inclusion.
- **Private Banking Awards 2023 - Wealth tech**: at the Private Banking Awards 2023, Fineco won the award in the "Wealth Tech" category for its ability to combine the personalisation of the offer typical of private banking with the scalability of the offer made possible by technology;
- **Institutional Investor**: Fineco again in 2023 won several awards in the "Developed Europe and Emerging EMEA Executive Team" 2023 survey conducted by Institutional Investor. The investor vote, for the small-mid cap category, awarded Fineco first place as "Best Company Board", "Best ESG Program", "Best Analyst/Investor event", "Best IR Program" and third place as "Best IR Team".

FinecoBank share

Share information

As of December 31st, 2023, the price of the share was equal to € 13.585. The average value recorded by the share in 2023 was € 13.394.

The company's market capitalization equaled to € 8,295 million as of December 31st, 2023.

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023
Official price of ordinary shares (€)										
- maximum	4.750	7.805	7.400	8.735	11.890	12.385	13.425	17.305	16.180	16.990
- minimum	3.808	4.438	4.622	5.345	7.956	8.514	6.918	12.875	10.335	10.655
- average	4.173	6.479	5.980	6.914	9.823	10.234	11.329	14.947	13.401	13.394
- period-end	4.668	7.625	5.330	8.535	8.778	10.690	13.400	15.435	15.520	13.585
Number of shares (million)										
- outstanding at period end	606.3	606.5	606.8	607.7	608.4	608.9	609.6	609.9	610.1	610.6

Results achieved in the main areas of activity

The Group's offer is divided into three integrated business macro-areas: (i) Banking, which includes current account services, payment services and the issuance of debit, credit and prepaid cards, mortgages, overdrafts and personal loans; (ii) Brokerage, which provides order execution services on behalf of customers, with direct access to the main world stock markets and the opportunity of trading CFDs, futures, options, bonds, ETFs and certificates; (iii) Investing, which includes the asset management activities carried out by Fineco AM, placement and distribution services for over 4,170 products, including UCITS and SICAV units managed by 76 leading Italian and international investment houses, insurance and pension products, as well as investment advisory services through the network of personal financial advisors distributed throughout Italy.

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

It should be noted that FinecoBank's Board of Directors on September 12th, 2023 resolved to close the business in the UK market. The decision follows the significant change in the regulatory environment in the UK following the exit from the European Union. In the new environment, it would no longer have been possible to maintain a business capital light model, leveraging Fineco's Italian infrastructure. The parent company provided all its services in the UK from its Italian office, within a regulatory framework known as the "Temporary Regime", permitted until December 2023. Starting from 2024, therefore, all necessary activities are planned to proceed with the closure of the still existing relationships in compliance with current regulations.

All the activities were carried out with the aim of obtaining economic results from the "industrial" management of the businesses, to minimise their financial risk.

Banking

Banking and Payment cards

During 2023, Fineco continued the product and service growth and the digital process optimization, in order to make them more suitable to customer needs. In particular, it should be noted:

- the restarting of Banca IFIS's "Rendimax Deposit Account for Fineco" in the distribution platform for third-party bank deposit accounts and the simultaneous reshaping of the offers both in terms of rates and in terms of maturities;
- the revision of the codes regeneration process in the public section of the Fineco website with the aim of offering customers better user friendliness;
- on mobile app, the migration of credit transfer service to a new technical infrastructure allowing for improved performance and usability for customers;
- the restyling of the mobile app graphics;
- the introduction of the digital signature on the Gold World credit card application, which concludes the process of "digitization" of card requests available online;
- the launch of the following initiatives related to Fineco "Cash Park" Deposit Account:
    - CashPark Investing PAC: the 12-month time deposit, which allows a return on the new cash deposited and provides for a monthly decrease of the amount in favour of the fund (PAC) selected at the subscription stage;
    - CashPark Investing PIC: the 12-month or 24-month time deposit, which allows a return on the new cash deposited and which provides the simultaneous subscription to an investment fund for a minimum share of at least 10% of the total investment;
    - CashPark *Svincolabile*: the 12-month deposit that allows a return on new cash liquidity, with the possibility of releasing the deposit before maturity.

With regard to the acquisition processes, activities also focused on the revision and simultaneous optimisation of the account opening process for the online desktop and app channels, in order to ensure immediate access for the customer with codes immediately available at the time of application.

In addition, starting from May 2023, a series of commercial initiatives have been launched aimed at increasing customer loyalty even further by rewarding, for existing customers, the choice to credit their salary.

Results achieved in the main areas of activity

The table below shows the credit card spending and the amounts as at December 31st, 2023 compared to December 31st, 2022. Credit card spending increased of 9.8% compared to the previous year.

(Amounts in € thousand)

Credit Products	Year 2023		Year 2022		Changes			
					Spending		Amounts as at	
	Spending	Amounts as at	Spending	Amounts as at	Amounts	%	Amounts	%
Revolving credit cards	39,621	35,001	38,821	34,802	800	2.1%	199	0.6%
Credit cards full payment of balance	3,514,834	319,154	3,199,203	305,822	315,631	9.9%	13,332	4.4%
Total	**3,554,455**	**354,155**	**3,238,024**	**340,624**	**316,431**	**9.8%**	**13,531**	**4.0%**

Mortgages, credit facilities and personal loans

With regard to lending activities, during 2023 continued the optimization and improvement activity of product portfolio. In this regard, it should be noted:

- regarding the Credit Lombard product, "instant" approval mode was developed, which is reserved for customers deemed "eligible" according to predefined credit rules defined by the Bank and only for applications between € 10,000 and € 50,000;
- regarding the bank guarantee product, the extension of the offer to legal persons meeting specific characteristics defined by the Bank;
- in line with the Bank's commitment and focus on environmental sustainability issues, the offer of personal loans was expanded in December with the launch of the Green Loan, to finance, at a specific rate, the purchase and installation of renewable energy technologies.

The following table shows the disbursements for the year 2023 and the balance of credit products as at December 31st, 2023 compared with the same period of the previous year. Disbursements decreased by 31.5% to 2022, also due to rising interest rates.

(Amounts in € thousand)

Credit Products	Year 2023		Year 2022		Changes			
					Disbursements		Amounts as at	
	Disbursements	Amounts as at	Disbursements	Amounts as at	Amount	%	Amount	%
Personal loans and unsecured loans	179,985	504,384	276,252	552,369	(96,267)	-34.8%	(47,985)	-8.7%
Current account credit facilities*	907,301	2,173,882	1,127,631	2,401,690	(220,330)	-19.5%	(227,808)	-9.5%
Mortgages	133,943	2,500,016	377,742	2,619,278	(243,799)	-64.5%	(119,262)	-4.6%
Total	**1,221,229**	**5,178,282**	**1,781,625**	**5,573,337**	**(560,396)**	**-31.5%**	**(395,055)**	**-7.1%**

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

It should be noted that the credit lines guaranteed by securities granted in 2023 totaled € 894 million (€ 877 million related to "Credit Lombard" product, € 11 million related to credit facilities secured by pledged and € 6 million related to credit facilities with mandate for sale), equals to 98% of total amount of credit lines granted.

Results achieved in the main areas of activity

Brokerage

2023 has been a complex year for financial markets. After a first quarter characterized by market uncertainty and consequent volatility, the following months were driven by a general stabilization phase for both equity and bond markets. The final months of the year were characterised by a slowdown in global growth, and tighter monetary policies, to contain inflation, hampered all the major markets.

Despite this context, Brokerage recorded significant results in 2023, with average monthly revenues more than 35% higher than those recorded in 2017-2019, thus confirming a structurally higher floor than pre-pandemic levels, regardless of market conditions. This growth is driven by the contribution of three structural components: the process of business improvement, thanks to the expansion of the product and service offering, the expansion of the customer base using the brokerage platform, with significant growth in active investors in absolute terms, and the increase in retail market share.

With regard to the expansion of the range of products and services, the following should be noted:

- the new Trading Account, created for trading in financial instruments only, designed to invest in a practical way, with account opening with a selfie, without monthly account management fees or custody costs of securities;
- the new FinecoX trading platform, which offers a more modern and user-friendly interface with several pre-configured templates and extensive customization possibilities: users can monitor charts, watchlists, news, portfolio and orders in a single screen, and invest in a wide range of financial instruments; FinecoX flank the Fineco Powerdesk, the trading platform most used by Italian traders, which will continue to be available to more experienced investors;
- the expansion of the range of products that can be traded on the Vorvel market, with trading on approximately 400 government bonds (Italian and foreign);
- the expansion of the offer for Fixed Leverage Certificates issued by FinecoBank (on the website, Power Desk and Mobile App) on underlying US Indices and commodities;
- technological migration and restyling of the Fineco website;
- the extension of the agreement with major ETF manufacturers to trade a range of zero-commission instruments for customers, including Xtrackers in addition to Lyxor/Amundi and BlackRock.

The following table shows the number of orders on financial instruments recorded during the 2023 compared to the previous year.

(Amounts in € thousand)

	Year		Changes	
	2023	**2022**	**Absolute**	**%**
Orders - Equity Italy (including internalised orders)	8,150,521	8,642,549	(492,028)	-5.7%
Orders - Equity USA (including internalised orders)	2,453,925	2,751,775	(297,850)	-10.8%
Orders - Equity other markets (including internalised orders)	849,506	915,481	(65,975)	-7.2%
Total Equity orders	*11,453,952*	*12,309,805*	*(855,853)*	*-7.0%*
Orders - Bonds	1,125,011	576,955	548,056	95.0%
Orders - Derivatives	10,206,657	12,511,096	(2,304,439)	-18.4%
Orders - Forex	1,054,474	1,110,676	(56,202)	-5.1%
Orders - CFDs	1,768,354	2,381,047	(612,693)	-25.7%
Orders - Funds	3,830,558	4,417,392	(586,834)	-13.3%
Total orders	**29,439,006**	**33,306,971**	**(3,867,965)**	**-11.6%**

Results achieved in the main areas of activity

Investing

The Group uses a guided open architecture business model to offer customers an extremely wide range of asset management products – comprising collective asset management products, such as units of UCITS and SICAV shares – from carefully selected Italian and international investment firms, as well as pension and insurance products and investment advisory services. IPOs of Investment Certificates are also carried out continuously through the advisory services.

The fund platform on the Italian market consists of 76 investment houses with more than 4,170 ISINs subscribable as at December 31st, 2023, of which 247 Fineco AM UCITS.

Among the proxy solutions for *private* customers, in 2023 the range of asset management was consolidated, represented by the Private Value and Private Etiche lines in securities and the Private Global lines in ETFs and UCITS, each with a risk profile ranging from prudent to dynamic and characterised by increasing equity exposure.

With regard to pension products, customers increasingly focused on the Core Pension open-ended pension fund, available exclusively to the FinecoBank network of financial advisors. Thanks to the paperless proposition through the collection of subscriptions in digital mode and through web collaboration, assets under management increased by 35% compared to December 31st, 2022, with a predilection for equity sub-funds.

Also in the area of insurance advice, the offer continued, especially on multi-branch and unit linked products.

Regarding the offer on the primary market (IPO), the placement of Investment Certificates continued in 2023. The structures mainly used are those with 100% “capital protection”, with participation in the rise of the underlying, and “conditionally protected" through protection barriers up to 70%, quarterly autocallable with conditional coupon and memory effect. The continuous increase in the number of Certificates listed on the secondary market, also in ESG themes, broadens the solutions that can be used within the Bank’s advisory services.

With reference to advisory services, the Bank continued its activities and solutions aimed at improving the services offered to customers. The requests to customise private portfolios of over € 500,000 reached a countervalue of over € 4.8 billion, demonstrating the appreciation of the service provided and the need by customers to receive customised investment solutions.

With a view to supporting the activities of financial advisors on clients with positions spread over several portfolios or belonging to an extended household, the "Active Monitoring" service was launched in 2020. This service, dedicated to customers with portfolios of more than € 2.5 million, involves a constant dialogue between the personal financial advisor and a team of Senior Investment Specialists who constantly monitor the client's entire position using a dedicated and technologically advanced platform. The service is currently active to more than € 2.6 billion of assets.

As part of the ongoing process of developing solutions for personal financial advisors, the “Private Diagnostics” service has been improved to enrich reports with new analyses of customers porfolio, including the contribution of individual instruments, market factors and asset classes to the expected risk of the portfolio. In addition, two new sections have been added showing details on the creditworthiness of bond products held in the portfolio and details on returns by instrument type, and the possibility of including non-standard products in “Diagnostics”, such as segregated management accounts with third parties whose annual returns are known. Finally, the “Fund Insight” report has been enriched with a rolling analysis section with respect to the product's reference universe, which makes it possible to analyse the over-time behaviour of yield and 1-year rolling volatility with respect to the category to which it belongs.

The balance of assets under management amounted to € 58,016 million as at December 31st, 2023, up 11.4% from the previous year.

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	12/31/2023	Comp %	12/31/2022	Comp %	Absolute	%
UCITS and other investment funds	38,838,704	66.9%	33,827,309	65.0%	5,011,395	14.8%
Insurance products	13,760,462	23.7%	15,595,412	29.9%	(1,834,950)	-11.8%
Segregated accounts	364,520	0.6%	318,115	0.6%	46,405	14.6%
Asset under custody and Direct deposits under advisory	5,052,451	8.7%	2,331,802	4.5%	2,720,649	116.7%
Total assets under management	**58,016,137**	**100.0%**	**52,072,638**	**100.0%**	**5,943,499**	**11.4%**

The network of personal financial advisors

As described above, 2023 was a year characterised by diverse and complex scenarios: inflationary pressures, restrictive monetary policies, high rates and the attractiveness of government bond issues and markets instability, which, however, ended the year with a strong recovery. This phase did not, however, slow down Fineco's growth, which, relying on a particularly efficient and versatile business model, strengthened its leadership role in the sector, thanks to its ability to intercept the growing demand for advice from customers and its vocation for acquiring new customers, constantly supported by marketing campaigns and a significant number of client events organised throughout the country.

The highly flexible nature of the business model, the breadth of investment solutions available, and the advisory platform, which was renewed during the year, constituted the infrastructure used by the Network to better grasp and meet customers' needs. The personal financial advisors' ability to establish strong relationships with customers based on professional trust then made it possible to effectively guide them in the direction of effective financial and wealth planning, thus avoiding the risks of emotional asset management. The combination of the two elements, infrastructure and relationship, is, once again, the basis of the Bank's recognised and confirmed attractiveness. Added to this are the innovative investment solutions developed by Fineco AM, which have supported and expanded the range of offerings with defensive instruments capable of coping with market fluctuations, while combining capital protection.

The Network's funding for the year 2023 shows important results, even though the high interest rate environment has influenced the asset mix of funding, with a preference for the AUC (assets under custody) component and in particular funding in government bonds. In detail:

- Total Net Sales: € 7,110 million;
- Total Net Sales Assets Under Management: € 2,677 million;
- Net sales in Guided Products: € 3,806 million;
- New customers acquired: 60,501.

The results achieved are also certified by the Assoreti ranking, which places the Bank in 2nd place for net inflows in 2023.

The Network's average portfolio increased by 12.9% compared to the same period last year, from € 31.9 million to € 36 million; Total Financial Assets attributable to the Network amounted to € 106.7 billion and are testament to a constant growth-oriented activity and a stable relationship of trust with customers.

As far as the Private segment is concerned, year 2023 closed with a significant increase in assets and number of clients. As at December 31st, 2023, Total Financial Assets referring to Private customers reached a new record of € 50.5 billion (more than 47% of the total TFA), a similar trend for the number of Private customers (the 50,000-client threshold was exceeded). Net sales amounted to € 3.9 billion.

The Network also kept up its focus on financial education; during the year a total of 1,857 customer events were held with the participation of about 67,000 customers and prospects, with a particular intensification in the final part of the year. Between October and November, the so-called FinecoDays were launched: two months of strong focus by the Network on organising events dedicated to customers and prospects on topics concerning investments, financial and wealth planning, and behavioural finance. During these two months, 744 events were organised, attended by around 29,000 customers and prospects. These included ad hoc events specifically dedicated to high-end customers on the broader topic of wealth planning: 17 meetings, with over 1,400 private clients involved.

In regard to recruitment, the model remains highly attractive, particularly for professionals coming from more traditional models. In 2023, 70 new "senior" personal financial advisors were recruited, i.e. professionals with consolidated experience from traditional banks, specialised private banking institutions and other financial advisory networks. Young people once again proved to be an important resource to focus on: during the year 71 new advisors were introduced to the profession as part of the project specifically dedicated to this category. The net balance of the Network was 44, with a decidedly modest turnover rate (3.3%).

As at December 31st, 2023 the Network consists of 2,962 Personal Financial Advisors.

The widespread presence of the Network in the country is supported by the 428 financial shops. During the year, 17 new openings were developed to further support the image and capillarity.

The network of personal financial advisors

The table below shows the breakdown of net direct sales, assets under management and assets under administration attributable to the Network's customers in 2023 compared to the previous year. Total net sales amounted to € 7,110.1 million, with an important contribution from assets under management and assets under custody, which totalled € 8,854 million (+16.6% compared to last year).

Net sales - Personal Financial Advisors Network

(Amounts in € thousand)

	Year 2023	Comp %	Year 2022	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	(2,370,286)	-33.3%	1,187,547	13.5%	(3,557,833)	-299.6%
Time deposits and reverse repos	626,424	8.8%	(1)	0.0%	626,425	n.a.
DIRECT DEPOSITS	**(1,743,862)**	**-24.5%**	**1,187,546**	**13.5%**	**(2,931,408)**	**-246.8%**
Segregated accounts	20,897	0.3%	29,298	0.3%	(8,401)	-28.7%
UCITS and other investment funds	2,604,065	36.6%	1,717,634	19.6%	886,431	51.6%
Insurance products	(2,361,085)	-33.2%	1,291,416	14.7%	(3,652,501)	-282.8%
Asset under custody and Direct deposits under advisory	2,413,362	33.9%	542,691	6.2%	1,870,671	n.a.
ASSETS UNDER MANAGEMENT	**2,677,239**	**37.7%**	**3,581,039**	**40.8%**	**(903,800)**	**-25.2%**
Government securities, bonds and stocks	6,176,709	86.9%	4,012,986	45.7%	2,163,723	53.9%
ASSETS UNDER ADMINISTRATION	**6,176,709**	**86.9%**	**4,012,986**	**45.7%**	**2,163,723**	**53.9%**
NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK	**7,110,086**	**100.0%**	**8,781,571**	**100.0%**	**(1,671,485)**	**-19.0%**
of which Guided products & services	3,805,682	53.5%	3,483,339	39.7%	322,343	9.3%

It should be noted that the percentage reported for Guided products & Services, equal to 53.5% as at December 31st, 2023, is calculated by comparing their amounts with the amount of Network total net sales.

The table below shows the amount of deposits attributable to the Network as at December 31st, 2023, amounted to € 106,705.5 million, up 14.5% compared to the same period last year (€ 93,212 million). According to Assoreti's ranking, as at December 31st, 2023 FinecoBank ranked 2nd in total assets, amounted to 13.6% of the Network system with a 0.3% increase in market share over the previous year.

Total financial assets - Personal Financial Advisors Network

(Amounts in € thousand)

	Amounts as at 12/31/2023	Comp %	Amounts as at 12/31/2022	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	21,506,552	20.2%	23,876,839	25.6%	(2,370,287)	-9.9%
Time deposits and reverse repos	626,788	0.6%	-	0.0%	626,788	n.a.
DIRECT DEPOSITS	**22,133,340**	**20.7%**	**23,876,839**	**25.6%**	**(1,743,499)**	**-7.3%**
Segregated accounts	364,520	0.3%	318,115	0.3%	46,405	14.6%
UCITS and other investment funds	38,423,236	36.0%	33,428,469	35.9%	4,994,767	14.9%
Insurance products	13,711,524	12.9%	15,544,251	16.7%	(1,832,727)	-11.8%
Asset under custody and Direct deposits under advisory	5,051,943	4.7%	2,331,778	2.5%	2,720,165	116.7%
ASSETS UNDER MANAGEMENT BALANCE	**57,551,223**	**53.9%**	**51,622,613**	**55.4%**	**5,928,610**	**11.5%**
Government securities, bonds and stocks	27,020,906	25.3%	17,712,757	19.0%	9,308,149	52.6%
ASSETS UNDER CUSTODY	**27,020,906**	**25.3%**	**17,712,757**	**19.0%**	**9,308,149**	**52.6%**
TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK	**106,705,469**	**100.0%**	**93,212,209**	**100.0%**	**13,493,260**	**14.5%**
of which Guided products & services	46,475,490	43.6%	40,159,797	43.1%	6,315,693	15.7%

It should be noted that the percentage reported for Guided products & Services, equal to 43.6% as at December 31st, 2023, is calculated by comparing their amounts with the amount of Network total financial assets.

Human resources

The parent: FinecoBank S.p.A.

As at December 31st, 2023, the Bank's employees were 1,311 up compared to 1,279 as at December 31st, 2022.

During 2023, all employees continued to work remotely according to the existing Individual Agreement. An addition to the agreement was made in March raising up the possibility of working from home to a maximum of 14 days per month divided on a weekly basis (16 days for shift workers).

Further initiatives aimed at facilitating and improving the working and personal life of employees continued, in continuity with what was done in the previous year (for example in the area of health and welfare).

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

Our effort in attracting new talents continued also during 2023, with a particular focus on new Generations (Millenials and Z Generation), also thanks to employer branding initiatives aimed at meeting and hiring new graduates or undergraduates and better understand the behavioral dynamics typical of the new generations. FinecoBank attended Career Days (also Digital) and continued to use different hiring and onboarding techniques that help simplify the process and support Chief People Officer department, managers and candidates in a practical and effective way, who can also immediately equipping with all the equipment needed for remote work.

Out of the 84 recruitments in 2023, many were employed in the Customer Relationship Management area confirming the strong and ongoing focus on young graduates. Customer Relationship Management is in fact the starting point of a path of professional development that can lead to cover different roles in the company.

Also 2023 showed a significant use of internal job rotation that involved 37 resources enabling, on one hand, to cover the vacant positions within the Company, and on the other hand, to guarantee the continuous staff professional development.

During 2023, a total of 52 employees left the Bank, including:

- 39 resignations;
- 13 for other reasons.

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

	Men		Women		Total	
Category	**12/31/2023**	**12/31/2022**	**12/31/2023**	**12/31/2022**	**12/31/2023**	**12/31/2022**
Executives	25	24	6	6	31	30
Managers	330	314	142	132	472	446
Professional Areas	405	402	403	401	808	803
Total	**760**	**740**	**551**	**539**	**1,311**	**1,279**

At December 31st 2023, the Bank has 100 part-time employees (about 7.6% of the total), women employees making up 42% of the workforce. The average length of service is about 13 years and the average age is about 42.7.

Human resources

Employees training

During 2023, Fineco employees training has been focused both on acquisition and strengthening of specific skills, required by the different company needs, and on the updating of individual knowledges, with a specific attention to Mandatory, Technical, Linguistic, Behavioural and Managerial training.

Below, the breakdown of training hours* by training areas:

Training area	Hours of training
Mandatory	21,259
Technical	19,900
Foreign Language	4,135
Conduct – Management	2,548
Total	**47,842**

*FAM included

Mandatory training

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

For this reason, considerable attention has been constantly paid to mandatory training, dedicated to all employees and mainly provided through the Learning Next platform, with the creation of courses about relevant topics, e.g. "*Esternalizzazioni e internalizzazioni, Gestione dei servizi informatici forniti da terze parti, PSD2 e PAD e GDPR-Data Breaches, Carta d'integrità, Codice di Condotta e Compliance Culture, Antiriciclaggio e Antiterrorismo e Anticorruzione*".

Furthermore, live training sessions have been organized about "Focus Indicatori di anomalia e resoconto SOS" in the field of AML.

Then, several mandatory training courses have been released for specific targets, e.g. "L'integrazione dei fattori ESG in ambito bancario/finanziario, Credito revolving: rischi, governance e tutela del cliente, La Production Oversight Governance per servizi d'investimento".

In order to guarantee the proper training of all employees on these topics, and preserve the Bank from operational, legal and reputational risks arising from the non-completion of courses, Mandatory Training is periodically monitored and its completion is prerequisite for the access to the Incentive System.

As usual, Mandatory Insurance Courses (IVASS) have been activated in the departments that give information to Customers, as well as professional development courses for the purposes of Consob intermediary regulation, and annual skills Assessment based on ESMA subjects.

To ensure business continuity in case of crisis, specific training courses, based on this topic, have been organized by essential resources towards substituted, for 521 hours, in addition to training sessions "Awareness su ECM e Gestione Incidenti", with the goal of raising the level of company awareness and culture about the topic.

Throughout the year, the following mandatory courses have been released:

- "Outside Business Interests – OBI", with the purpose of giving awareness about the operating procedure that employees have to follow, when they have or intend to have an "Interesse Personale Esterno all'Ambito (OBI)".
- "Il sistema di controlli interni sul Financial Reporting (Legge 262/2005)", with the purpose of introducing "262 Model" adopted by the Bank, according to regulations that have defined the "Dirigente Preposto" as the responsible of preparing corporate accounting documents.

In addition, to ensure compliance with occupational Health and Safety at work provisions, the Bank guarantee proper, periodical and continuous training to all impacted resources, on the basis of current regulations.

Lastly, in order to raise knowledge and awareness on possible cyber threads, and be able to react in a proper way, Fineco has continued to promote, within the year, the information campaign "I Navigati-Informati e sicuri", focusing on the different computer threads, linked to some training pills available on our Learning Platform.

Human resources

Technical, Behavioural and Managerial Training

During 2023, with the assistance of external suppliers, strategical business partners, Universities and internal specialists, the Bank has organized training sessions for the acquisition of technical and behavioural skills that need to improve not only company productivity, but also the level of employees specialisation. For instance, we point out the following activities:

- According to the new rules established by the 40°update of the circular 285, a specialized training path “Risk Management, Cyber-resiliency e adempimenti normativi nel settore bancario” has been released, involving some employees of Risk, Compliance, Audit and Organisation Departments, in addition to the advanced specialized technical training dedicated to the colleagues who have benefited of Cyber Security Audit e ITIL v4 Foundation courses.
- Specific training paths for the development of digital competencies are currently being activated, on dedicated platform.

During 2023, due to a dialogue with Bank Managers, in order to deepen the training needs of every department, “ad hoc” training paths have been identified, organized and released, with the purpose to answer in a specific and punctual way to the necessities that came out during the collection of needs.

Below, the list of the released and started training paths within year 2023, that have involved 127 resources.

Managerial Paths

- “Leadership Evolution”- for Senior Managers: a training path that offers a dialogue chance to learn new managerial approaches (strategic thinking, emotional and cognitive agility, hybrid team management, strength to the quality of the dialogue, the necessity of having feedback, etc).
- “LeaderSHIFT” – for newly assigned Managers: a training path that offers chances of dialogue and role growth and wants to empower leadership and management competencies).
- Coaching path “Elevating your impact” - for Managers: a training path that offers opportunities for comparison and professional growth in order to increase awareness of strengths and areas of focus with respect to the challenges of the role and context.
- “Structogram® TRAINING SYSTEM” – for Compliance Department Managers: an integrated training path which aims to develop managerial, individual and relational competencies, based on a protocol of Biostructural Analysis.

Soft Skills Training Paths

- “Dire, scrivere, ascoltare: strumenti per una comunicazione efficace”: a training path to learn the techniques of “effective communication”, in order to be proficient with an efficient communication and positively influencing professional interactions.
- “Efficacia personale: essere protagonisti del proprio sviluppo”: a training path that offers insight and tools to manage relationships, conflitcs, priorities and personal organization at their best;
- “Excel intermediate level” and “Excel advanced level”: both courses want to deepen and refine technical knowledges, for an increasingly effective usage of the program.

Then, Project Management training paths, dedicated to *managers* and *professionals,* have been continuing for this year, too.

Also during 2023, with the purpose of meet the behavioral, managerial and personal training demand of all employees, a freely accessible on line training catalogue is available on Learning Next, constantly enriched with new courses, organized by macro-training areas: Communication & Influencing; People & Self-Management; Leadership; Efficiency, Execution & Organization; Ethics & Respect, Diversity & Inclusion; Health & Safety; Languages.

Much importance is also given to training on the job, which is extremely useful to ensure concrete, practical and effective training. For this reason, in 2023, a dedicated course was designed for most of the new recruits, with the aim of providing practical support in the first months of their new jobs through shadowing with senior colleagues.

“Training on the job” for Customer Care employees continued as usual. The total amount of TOJ hours have been 15,464, at Bank level.

Even for 2023, FinecoBank has renewed the partnership with Valore D, that offers to employees the chance of having access to contents and courses designed to enhance the female talent and promote the Company inclusive culture, with particular focus on gender equality, that included topics like unconscious stereotypes, language inclusiveness, collaboration in heterogeneous teams, enhancement of resources and gender and sexual harassment on work place. In addition, in the Ethics & Respect, Diversity & Inclusion section of the on line catalogue, courses about Ethic, promotion of Diversity and cultural differences, have been presented.

Human resources

Foreign Language Training

Even in 2023, all employees had the opportunity to use a dedicated training platform, based on Artificial Intelligence, that had the aim to increase English language skills of everyone through a custom learning path, based on the initial level of knowledge and on personal interests of the learner.

In addition, the Bank has activated, as usual, an English language course for 320 employees (groups and one-to-one lessons), held by phone or virtual classes. Furthermore, some specific resources received Legal English and German training, too.

The participation of the employees in foreign language training courses is defined on the basis of the requests of the single Unit Manager, considering their specific professional needs.

Finally, linguistic paths dedicated to German, Spanish, French and *Business English* learning have been added to the Learning Next Catalogue.

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

As at December 31st, 2023, the Company's employees are 73 of which women 29 and 44 men and the average age is around 36.3.

The hirings were aimed at strengthening both the business and support and control functions.

Employees training during 2023 has been focused both on acquisition and consolidation of competencies required by the different company needs, through the update of individual knowledges, and with special attention to Mandatory training.

Incentive plans

FinecoBank Board of Directors' on January 23rd, 2023 – in consideration of the favourable opinion of the Remuneration Committee held on January 16th, 2023 – approved the following incentive systems subsequently approved by the Shareholders' Meeting of April 27th, 2023:

- 2023 Incentive System for employees classified as Identified Staff;
- 2023 Incentive System for Personal Financial Advisors classified as Identified Staff.

On February 7th, 2023, in consideration of the achievement of the minimum entry conditions at Group level and the individual requirements (compliant conduct and continued employment) and upon the favourable opinion of the Remuneration Committee held on February 6th, 2023, the Board of Directors of FinecoBank approved:

- for the 2017, 2018, 2019, 2020 and 2021 Incentive Systems:
  - the execution of the plans;
  - the allocation of the fourth share tranche of the 2017 plan, awarded in 2018, corresponding to 27,426 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 9th, 2017, and subsequent meeting held on January 10th 2018;
  - the allocation of the third share tranche of the 2018 plan and of the fourth share tranche of the severance payment agreed in 2018 for an executive with strategic responsibility, awarded in 2019, corresponding to overall 42,049 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2018;
  - the allocation of the second and third share tranche of the 2019 plan, awarded in 2020, corresponding to 33,898 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2019;
  - the allocation of the second share tranche of the 2020 plan, awarded in 2021, corresponding to 1,908 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 15th, 2020;
  - the allocation of the first share tranche of the 2021 plan, awarded in 2022, corresponding to 64,324 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 19th, 2021;
  - a free capital increase effective from March 31st, 2023 for a total amount of € 55,969.65 corresponding to 169,605 free FinecoBank ordinary shares with a nominal value of € 0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 11th 2018, April 10th 2019, April 28th 2020 and April 28th 2021 pursuant to Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.03% of the fully diluted capital;

Human resources

- the payment of the second cash tranche related to the 2020 Incentive System, of the third cash tranche related to the 2019 Incentive System, of the third cash tranche of the 2017 Incentive System and of the third cash tranche of the severance agreement agreed in 2018 for an Executive with Strategic Responsibilities.

- for the 2022 Incentive System (Bonus Pool):
  - the FinecoBank 2022 Bonus Pool;
  - the proposed 2022 bonus for the Chief Executive Officer and General Manager, the other Executives with Strategic Responsibilities and other Identified Staff;
  - the allocation of 143,653 FinecoBank ordinary shares, to be allocated free of charge to the above-mentioned personnel in accordance with the relevant plan rules;
  - the payment of the first tranche in cash;
- for the 2018-2020 Long Term Incentive Plan for the employees:
  - the execution of the plan;
  - the allocation of the first, second and third share tranche of the plan, granted in 2018 and corresponding to 342,170 FinecoBank free ordinary shares, and subsequently, a free capital increase effective as of March 31st, 2023, for a total amount of € 112,916.10 in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 11st, 2018 pursuant to Article 2443 of the Italian Civil Code;
- for the 2022 PFA Incentive System plan:
  - the 2022 Bonus Pool for personal financial advisors;
  - the proposed 2022 bonuses for personal financial advisors classified as Identified Staff;
  - the allocation of 27,466 FinecoBank shares (within the maximum 260,779 ordinary shares), to be allocated free of charge to the above-mentioned personal financial advisors in accordance with the relevant plan rules;
  - the purchase of treasury shares, having obtained the authorisation from the Supervisory Authority, pursuant to Articles 77-78 EU 575/2013 of June 26th, 2013 (CRR) as amended by EU Reg. no. 876/2019, in accordance with the shareholder meeting resolution;
  - the payment of the first tranche in cash;
- for the 2021, 2020, 2019 and 2018 PFA Incentive System plans:
  - the execution of the plan;
  - the allocation of the first tranche in shares of "2021 PFA Incentive System plan" corresponding to 45,380 FinecoBank shares and the second tranche in cash to the personal financial advisors classified as "Identified Staff", in accordance with the plan rules;
  - the allocation of the second tranche in shares of "2020 PFA Incentive System plan" corresponding to 12,781 FinecoBank shares and the third tranche in cash to the personal financial advisors classified as "Identified Staff", in accordance with the plan rules;
  - the allocation of the third tranche in shares of "2019 PFA Incentive System plan" corresponding to 8,227 FinecoBank shares and the second tranche in cash to the personal financial advisors classified as "Identified Staff", in accordance with the plan rules;
  - the allocation of the third tranche in shares of "2018 PFA Incentive System plan", corresponding to 3,435 FinecoBank shares to the personal financial advisors classified as "Identified Staff", in accordance with the plan rules;
- for the 2018-2020 Long Term Incentive Plan for FinecoBank Personal Financial Advisors classified as Identified Staff:
  - the execution of the plan;
  - the allocation to the beneficiaries of the first tranche of the Plan corresponding to 6,197 FinecoBank shares.

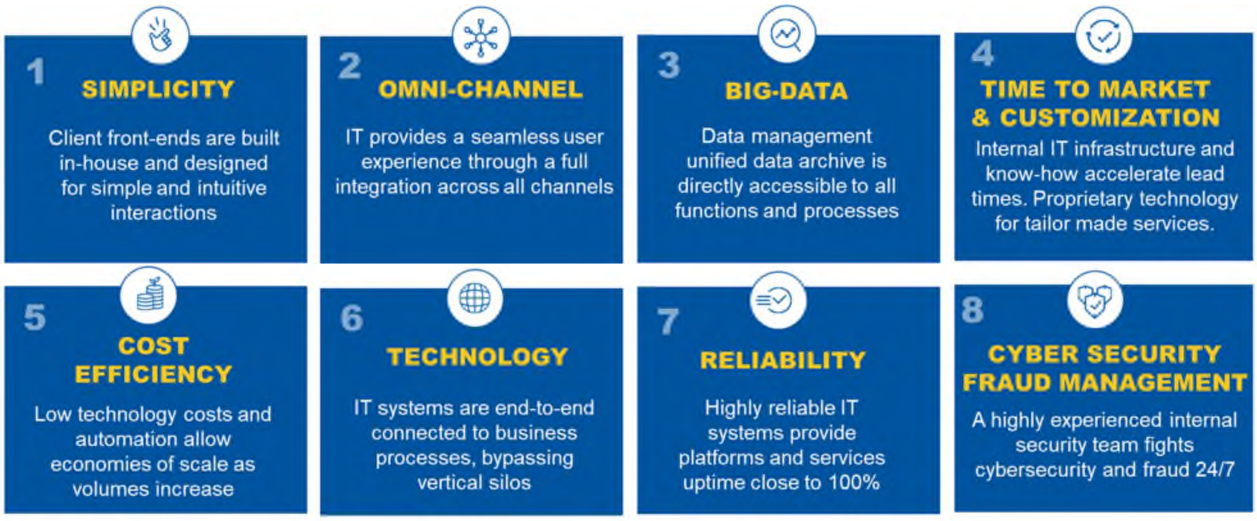
On April 19th, 2023, the Board of Directors of Fineco Asset Management DAC approved the 2023 incentive system for the local Identified Staff.

Technology infrastructure

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

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

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



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

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

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

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

During 2023, the ICT & Security Office Department continued carrying out its activities for technological renewal, infrastructure and applicative optimisation with a focus on the consolidation and development of the information system, aimed at providing innovative, reliable, interoperable and open services that improve the experience of customers and financial advisors, as well as ensuring adherence to the opportunities offered by the regulatory landscape.

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

Technology infrastructure

Disclosure on Russian-Ukrainian crisis risks– cyber attack

With reference to ICT and Cyber risks, the CSIRT (the National Cybersecurity Agency's response team) called for raising attention and taking all measures to protect ICT assets, through dedicated *alerts,* urging to adopt "a posture of maximum cyber defence": the offensive could in fact be directed against the coalition that has mobilized to support the attacked country. In the crosshairs, as far as Italy is concerned, are generally ministries, government agencies, and companies strategic to the national interest including financial institutions.

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

Internal control system

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

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

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

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

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

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

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

FinecoBank, as parent company, has provided the Group with a coherent system of internal controls allowing for effective control of the strategic choices of the group as a whole and the management balance of each group legal entity.

From a methodological point of view, the Internal Control System of the Bank and Fineco AM, the only subsidiary[11], provides for three types of controls:

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

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

[11] It should be noted that as at December 31st 2023, Fineco International Ltd, a wholly-owned subsidiary of FinecoBank S.p.A., was not operational (it should be noted that the FinecoBank Board of Directors' meeting of September 12th, 2023, resolved on its closure; for further details on this matter, please refer to the disclosure provided hereinafter).

Internal control system

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

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

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

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

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

In addition, it should be noted that the FinecoBank Group, as a significant institution according to Regulation (EU) No. 468/2014, is subject to the direct supervision of the European Central Bank (ECB). Consequently, the annual Supervisory Review and Evaluation Process (SREP) Assessment, is carried out by a Joint Supervisory Team (JST), composed by ECB analyst from the DG "Specialized Institutions & LSIs" as well as members of the "Banking Supervision 1 department" of the Bank of Italy.

Main risks and uncertainties

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

[12] The corporate control functions also include the Anti-Money Laundering Function, the Validation Function as regulated by the relevant provisions and the ICT and Security Risk Control Function as regulated by Chapter 4, Section. II, par. 4 of the Bank of Italy Circular no. 285/2013. On December 14th, 2023 with effect from April 1st 2024, the Board of Directors of the Bank approved an organizational change that established the transfer of the Anti-Money Laundering and Anti-Corruption Function unit from the Compliance Function, bringing it to report directly to the CEO and General Manager and his reclassification to Department. The DPO, Outsourcing, & ICT & Security Compliance Unit also operates within the Compliance Department, whose manager is assigned the role of Data Protection Officer by resolution of the Board of Directors of FinecoBank.

[13] The legislative framework could assign control tasks to specific functions - other than corporate control functions - which activity must be integrated within the Internal Control System.

In this regard, the Bank has identified some functions / organizational structures which, on the basis of specific tasks assigned, oversee certain regulatory areas. In particular, the safeguards of the Manager in charge of preparing the corporate accounting documents and that of Control on the sales network of the tied agents are relevant.

The model of the indirect control presumes that other functions than Compliance, known as "Specialist Areas" (such as Tax, HR, etc.) have the main responsibility for certain regulatory areas that are not covered by Compliance. In order to provide an overall view on the compliance risk, Compliance function could delegate related assessments for the areas controlled directly and those controlled jointly with the specialized areas. However, Compliance remains the responsible function in collaboration with the specialist areas at least for the definition of the methodology for risk assessment and for the evaluation of the compliance risk and the identification of the related procedures, therefore, proceed to verify the adequacy of the procedures in place to prevent the compliance risk.

Currently are identified the following specialized areas:

- Corporate Law & Board Secretary's Office in relation to the regulatory requirements provided for company representatives and for the functioning of the Assembly, ; Representative of Health and Safety at work (Delegate 81); Responsible for the works regarding Temporary or mobile constructions site (pursuant to the Legislative Decree 81/2008 Title IV) Procurement Office in the field of health and safety at work pursuant to the Legislative Decree 81/2008 art. 16; Human resources in the field of labour law; in the field of health and safety at work (Legislative Decree 81/2008 Title I) and in the field of environmental protection related to initiatives to support the sustainability of travel for employees; GBS - Bank Organization and Operations - Business Continuity Manager; CFO - Tax Affairs and Consulting; CFO -technical structure Sustainability responsible for the activities of the non-financial reporting and environmental management system area (EMAS Regulation) in line with the regulatory provisions introduced by the CSRD - Corporate Sustainability Reporting Directive (EU Directive 2022/2464 of 14 December 2022).

All corporate functions, other than the Corporate Control Functions, participate in the Internal Control System by carrying out the first level controls, which are incorporated into their relevant business processes.

Organisational structure

The Parent Company's Organisational Model

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

The model followed by the Bank identifies the following corporate control functions: i) compliance with regulations; ii) risk management; iii) internal audit[14]; as well as additional specialised functions, including the CFO (Chief Financial Officer), Legal Affairs, Chief People Officer, Corporate Identity, and oversight of the PFA network.

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

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

In brief:

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

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

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

The Board of Directors' meeting of January 23rd, 2023, in order to represent in the Bank's organizational chart a clear presence and location of the Resolution Unit pursuant to Sigle Resolution Board Expectations for Banks, resolved to rename the Regulatory Affairs structure to Regulatory Affairs & Resolution Unit and to create, reporting directly to it, the new Resolution Management team. This team lends operational support in carrying out the tasks of the Resolution Unit. In addition, at the same meeting the Board of Directors resolved the establishment of the SRB Permanent Work Group, with the responsibility of ensuring the correct application of the extensive and articulated external regulations in *Resolution*, making use of the participation and contribution of various organizational structures with specific skills and know-how. Finally, SRB and regulatory stress testing responsibilities and tasks were integrated within the Chief Risk Officer Departement (CRO).

Effective June 30th, 2023, in order to implement the provisions of the 40th update of Bank of Italy Circular No. 285/13 on ICT and Security Risk, the Board of Directors resolved to update the responsibilities of the Chief Executive Officer and General Manager and to assign specific tasks to the second-level control functions Chief Risk Officer (CRO) and Compliance. At the same time, an update of the organisational structure of the Internal Audit Department was provided for, with the separation of the supervision of information technology and security risks into a new dedicated Unit, reporting directly to it. The Board of Directors also approved a revision of the organisational structure of the Compliance Department through the

[14] The corporate control functions also include the anti-money laundering function, the validation function as governed by the relevant provisions and the ICT and security risk control function as governed by Chapter 4, Section II, Paragraph 4 of Bank of Italy Circular No. 285/2013

Organisational structure

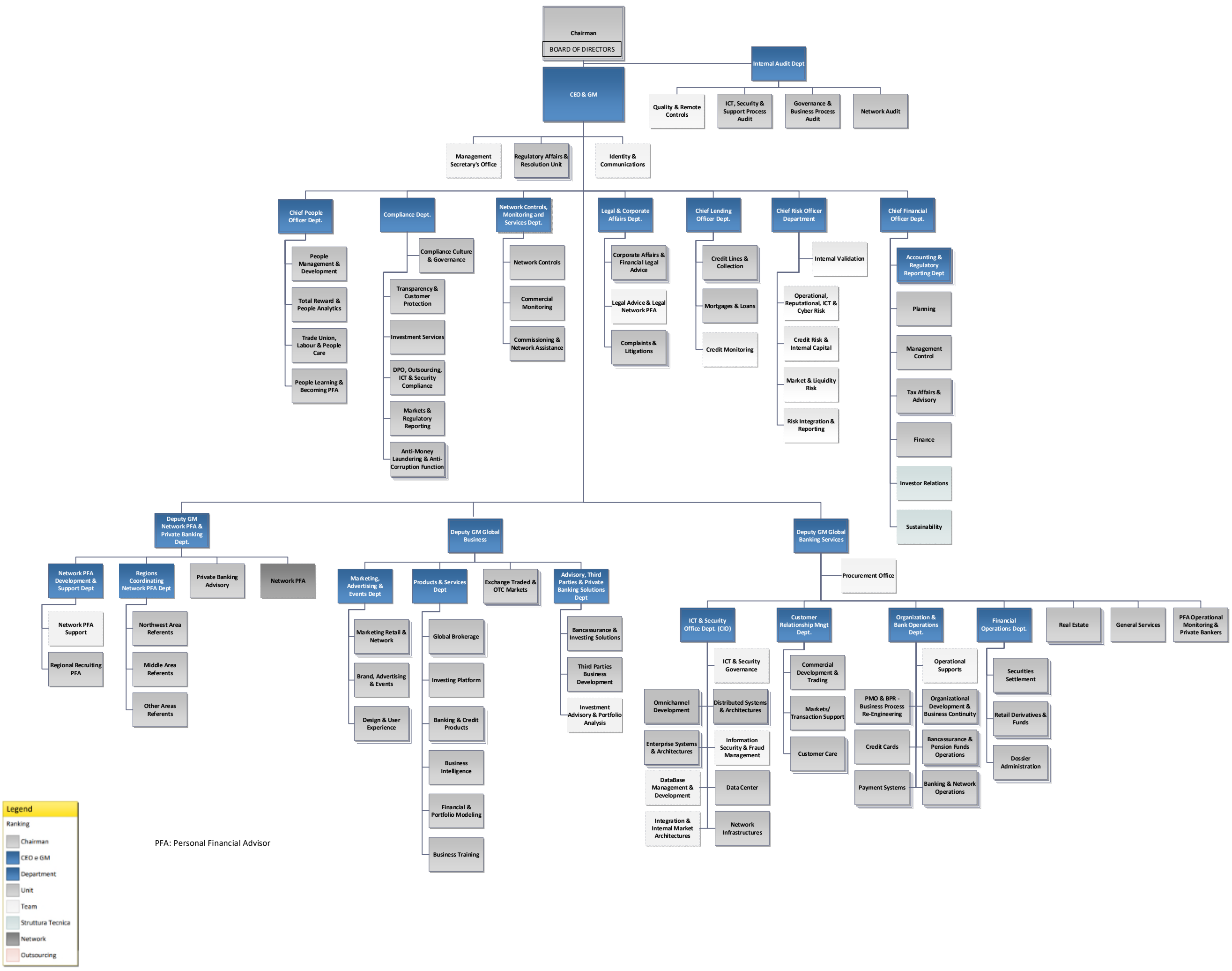
redistribution of the activities inherent to Compliance Risk Assessment (CRA) and Level II Controls (2LCs) to the Units already responsible for monitoring external regulations and advisory activities.

The Board of Directors of November 2023 resolved:

- within the *Network PFA & Private Banking Department*, the reorganisation of the structure dedicated to territorial supervision and support of the FinecoBank PFA Network;
- within the *Global Business Department*, the reorganisation of the marketing structure dedicated to the planning and design of customer services;
- within the *Chief Financial Officer Department*, the transfer of the Capital Management structure reporting directly to the *Accounting & Regulatory Reporting Department*;
- an integration of the responsibilities of the Chief Executive Officer & General Manager and the Head of the *Anti-Money Laundering and Anti-Corruption Function* in compliance with the provisions of the Bank of Italy regulation of August 1st, 2023 and the EBA Guidelines on the use of remote customer onboarding solutions (EBA/GL 2022/15).

Finally, it should be noted that the Board of Directors in December 2023 resolved:

- with effect from January 1st, 2024, within the *Global Business Department*, the creation of a new structure dedicated to monitoring emerging technology trends in the fintech brokerage landscape;
- with effect from April 1st, 2024, the transfer of the *Anti-Money Laundering and Anti-Corruption Function* to report directly to the Chief Executive Officer & General Manager.



Organisational structure

Group management system

The Parent Company FinecoBank is responsible for maximizing the long-term value of the Group as a whole, guaranteeing the unitary governance, direction and control of the Group entities.

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

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

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

With the aim of achieving a strong functional and managerial connection at Group level, within the constraints set by applicable local laws and regulations, the Competence Line Managers have a direct role and, in compliance with the responsibilities of the Corporate Bodies of the Entities, specific powers of direction, support and control with reference to the corresponding functions of the entities, always in coordination with the Top Management of the respective entity.

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

Business Continuity Plan (BCP)

At consolidated level, the Parent Company has issued guidelines on emergency and crisis management and business continuity management, which envisage a decentralised model of emergency management, based on the plans of the individual companies which reflect their specific circumstances.

As required by the applicable regulations, the Parent Company has adopted a model that comprises organisational units dedicated to managing Business Continuity and Crises, both in normal operating conditions and in emergency situations.

The Bank's Business Continuity and Crisis Management framework includes *i)* the emergency and crises management plan (ECM Plan), *ii)* the business continuity plan (BCP) – which are an integral part of the disaster recovery plan (DRP, which establishes the measures for the restoration of applications and information technology systems affected by disasters) and of the cyber attack plan (which sets out the strategies for handling large scale cyber attacks) – and *iii)* the management plan for pandemics (which reflects the experience gained during the health emergency caused by the COVID-19 pandemic).

During 2023, the emergency and crisis management guidelines, in alignment with external reference regulations, as well as the plans concerned, were duly updated in order to incorporate them and business developments, as part of the annual update. The Bank has maintained remote working as the main emergency management measure under the BC Plan. These BC&CM plans are subject to the usual annual reviews by the competent structures.

In line with the Group's governance guidelines and the evolution of the business, the Irish subsidiary Fineco Asset Management DAC has adopted its own ECM, BC and DR plans; the measures adopted include remote working as an emergency solution in its business continuity plan.

Main balance sheet aggregates

Cash and cash balances

Cash and cash balances amounted to € 2,266.6 million as at December 31st, 2023 (€ 1,469.7 million as at December 31st, 2022). The item consisted mainly of the overnight deposit opened at the Bank of Italy, for a total amount of € 1,932 million, the liquidity deposited to the Bank of Italy, net of the stock related to the minimum reserve requirement allocated for the current reporting period, which is represented in the item Loans and receivables to banks, in the amount of € 1.5 million, as well as liquidity deposited on current accounts with credit institutions for the settlement of payment transactions, for the settlement of securities transactions, for the management of the liquidity of UK customers and for the management of Fineco AM's liquidity, for a total amount of € 333 million.

Financial assets held for trading

Financial assets held for trading totalled € 14.1 million and include financial instruments that meets the definition of held for trading, in particular:

- equities, amounted to € 8.8 million (€ 10.6 million as at December 31st, 2022), held in the Bank's portfolio as mainly used for the operational hedging of CFD positions on shares open in counterpart of the customers and, to a lesser extent, from the internalisation activity and intended to be traded in the short term;
- the positive valuation of spot contracts for securities in the held for trading portfolio and currencies to be settled in time frames established by market practices ("regular way") for € 1.7 million (€ 2.5 million as at December 31st, 2022), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the positive valuation of CFD derivatives, traded in counterpart of the customers, and derivative contracts settled or entered into with institutional counterparties used for the related operational hedging of the above-mentioned derivative contracts and of the derivative contracts Knock Out Options and Certificates issued, for a total amount of € 3.6 million (€ 3.9 million as at December 31st, 2022).

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

Loans and receivables to banks

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amount	%
Loans and receivables to central banks	**269,082**	**311,357**	**(42,275)**	**-13.6%**
Loans and receivables to banks	**107,291**	**115,339**	**(8,048)**	**-7.0%**
Time deposits	71,303	66,486	4,817	7.2%
Other loans:	35,988	48,853	(12,865)	-26.3%
1. Reverse repos	397	261	136	52.1%
2. Others	35,591	48,592	(13,001)	-26.8%
Total	**376,373**	**426,696**	**(50,323)**	**-11.8%**

Loans and receivables to banks amounted to € 376.4 million, decreasing by € 50.3 million compared to December 31st, 2022 and mainly consist of the compulsory reserve at the Bank of Italy and deposits to banks.

"Loans and receivables to central banks" consist exclusively of the compulsory reserve deposit previously deposited in Bank of Italy which, as described above, corresponds to the stock of the minimum reserve requirement allocated for the current reporting period.

The item "Other loans: 1. Reverse repos" include only stock lending transactions, which are securities lending transactions secured by amount of money at the lender's full disposal and which are, in substance, equivalent to repurchase agreements on securities. The item does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown as "off-balance sheet" transactions in table A.1.4 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidation - Quantitative information in the notes to the consolidated accounts.

Main balance sheet aggregates

The item “Other loans: 2. Others” consists of € 28.5 million for the amount of the initial margin, variations margins and collateral deposits for derivative and other financial instrument transactions (€ 41.3 million as at December 31st, 2022) and € 7.1 million for current receivables associated with the provision of financial services (€ 7.3 million as at December 31st, 2022).

Loans and receivables to customers

(Amounts in € thousand)

	Amount as at		Changes	
	12/31/2023	12/31/2022	Amount	%
Current accounts	2,173,882	2,401,690	(227,808)	-9.5%
Reverse repos	130,237	139,026	(8,789)	-6.3%
Mortgages	2,500,015	2,619,278	(119,263)	-4.6%
Credit cards and personal loans	857,653	892,064	(34,411)	-3.9%
Other loans	536,754	393,655	143,099	36.4%
Total	**6,198,541**	**6,445,713**	**(247,172)**	**-3.8%**

Loans and receivables to customers amounted to € 6,198.5 million, decreased by € 247.2 million compared to December 31st, 2022 (-3.8%), and can be broken down as follows:

- credit facilities in current accounts of € 2,173.9 million, mainly with credit lines, that decreased by € 227.8 million compared to December 31st, 2022, of which loans with a security collateral (in particular “Credit Lombard”) totalled to € 2,053.2 million;
- € 130.2 million in reverse repos, decreasing by € 8.8 million compared to December 31st, 2022, mainly made by “Multiday leverage” with retail customers and stock lending transactions with institutional customers, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities, the amount of which is directly linked to the transactions carried out by customers and outstanding at December 31st, 2023. Repo transactions carried out by the Parent Company treasury on the Repo MTS market and settled through a Central Counterparty, subject to netting in the balance sheet as required by IAS 32, amounted to € 3.3 million (€ 2.1 million as at December 31st, 2022);
- € 2,500 million in mortgages, down € 119.3 million compared to December 31st, 2022. Disbursements in 2023 amounted to € 134 million, decreasing by 64.5% compared to 2022, also due to the rise in interest rates;
- € 857.7 million in credit cards (revolving and use) and personal loans, down by € 34.4 million;
- € 536.8 million in other loans, mainly made by loans granted to Cronos Vita Assicurazioni S.p.A., for a carrying amount of € 293.1 million, collateral deposits and initial and variation margins for derivative and other financial instrument transactions, for an amount of € 103.7 million (€ 259.9 million as at December 31st, 2022), and current receivables associated with the provision of financial services, for an amount of € 136.3 million (€ 130.7 million as at December 31st, 2022).

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

Main balance sheet aggregates

The portfolio of **loan and receivables to ordinary customers** amounted to € 5,535.4 million and mainly consists of receivables for personal loans, mortgages, credit facilities in current accounts and credit card revolving and use.

(Amounts in € thousand)

Loans and Receivables to Customers (Management Reclassification)	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amount	%
Current accounts	2,171,981	2,399,917	(227,936)	-9.5%
Credit cards use	354,091	340,579	13,512	4.0%
Mortgages	2,498,915	2,618,344	(119,429)	-4.6%
Personal loans	502,827	550,764	(47,937)	-8.7%
Other loans	3,810	3,032	778	25.7%
Performing loans	*5,531,624*	*5,912,636*	*(381,012)*	-6.4%
Current accounts	1,901	1,772	129	7.3%
Mortgages	1,101	934	167	17.9%
Credit cards use	63	46	17	37.0%
Personal loans	672	676	(4)	-0.6%
Other loans	22	26	(4)	-15.4%
Impaired loans	*3,759*	*3,454*	*305*	8.8%
Loans receivable to ordinary customers	**5,535,383**	**5,916,090**	**(380,707)**	**-6.4%**
Institutional customer loans	293,022	-	293,022	n.a.
Reverse repos	130,069	138,988	(8,919)	-6.4%
Reverse repos - impaired	168	37	131	n.a.
Collateral deposits and initial and variation margins	103,593	259,849	(156,256)	-60.1%
Current receivables associated with the provision of financial services	136,268	130,713	5,555	4.3%
Current receivables associated with the provision of financial services - impaired	38	36	2	5.6%
Current receivables and other receivables	663,158	529,623	133,535	25.2%
Loans and receivables to customers	**6,198,541**	**6,445,713**	**(247,172)**	**-3.8%**

Institutional customer loans include, only, loans granted to Cronos Vita Assicurazioni S.p.A..

Impaired assets

(Amounts in € thousand)

Category	Gross amount		Impairment provision		Net amount		Coverage ratio*	
	Amount as at		Amount as at		Amount as at		Data as at	
	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022
Bad exposures	16,019	19,104	(14,909)	(17,699)	1,110	1,405	93.1%	92.6%
Unlikely to pay	5,665	4,459	(3,850)	(3,038)	1,815	1,421	68.0%	68.1%
Past-due loans	2,410	1,666	(1,370)	(965)	1,040	701	56.8%	57.9%
Total	**24,094**	**25,229**	**(20,129)**	**(21,702)**	**3,965**	**3,527**	**83.5%**	**86.0%**

(*) Ratio of the data in the column Impairment Provision and Gross Amount

The amount of non-performing loans net of impairment losses was € 4 million, of which € 1.1 million in bad exposures, € 1.8 million in unlikely to pay exposures and € 1.1 million in past-due loans. The impaired assets are the 0.07% of loan receivables to ordinary customers (0.06% as at December 31st, 2022). The coverage ratio of impaired assets is equal to 83.5%.

Main balance sheet aggregates

Financial investments

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amount	%
Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	7,010	5,552	1,458	26.3%
Financial assets at fair value through other comprehensive income	29,069	26,872	2,197	8.2%
Financial assets at amortised cost	21,365,295	24,599,892	(3,234,597)	-13.1%
- financial assets at amortised cost to banks - debt securities	2,617,222	3,602,498	(985,276)	-27.4%
- financial assets at amortised cost to customers - debt securities	18,748,073	20,997,394	(2,249,321)	-10.7%
Investments in associates and joint ventures	1,652	1,718	(66)	-3.8%
Total	**21,403,026**	**24,634,034**	**(3,231,008)**	**-13.1%**

“Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value” mainly consist of the Visa INC preferred shares (class “C” and “A”) for a total amount of € 6 million, as well as debt securities and UCITS units in the amount of € 1 million.

"Financial assets designated at fair value through other comprehensive income" consist of securities issued by sovereign States and residually of equity interests in companies in which the Group does not exercise control or significant influence for € 7 thousand for which, upon first application of IFRS 9, the "FVTOCI"[16] option was exercised. The following table shows the debt securities issued by sovereign States:

(Amounts in € thousand)

Counterparty	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amount	%
France	29,062	26,865	2,197	8.2%
Total	**29,062**	**26,865**	**2,197**	**8.2%**

The debt securities recorded in "Financial assets at amortised cost" issued by banks include bonds issued by UniCredit S.p.A. for a total amount of € 628.1 million (€ 1,681.3 million as at December 31st, 2022), covered bonds issued and other bonds by credit institutions or by Supranational organisations and Supranational agencies that fall within the definition of credit institutions, for a total amount of € 1,989.1 million (€ 1,921.2 million as at December 31st, 2022).

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

Main balance sheet aggregates

The debt securities recorded in "Financial assets at amortised cost" issued by customers mainly consist of Sovereign and Supranational exposure. The breakdown of securities valued at amortised cost issued by sovereign States, including securities issued by the European Financial Stability Facility and the European Stability Mechanism, are shown below. The remaining debt securities at amortised cost, which amount of € 2,249.6 million (€ 2,202.7 million as at December 31st, 2022) are mainly consist of debt securities issued by local Authorities and European Union. It should be noted that the carrying amount includes the negative valuation of fixed-rate securities subject to specific hedging of interest rate risk.

(Amounts in € thousand)

Counterparty	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amount	%
Italy	5,144,659	7,659,647	(2,514,988)	-32.8%
Spain	4,569,998	4,521,003	48,995	1.1%
Germany	171,792	171,506	286	0.2%
France	1,466,045	1,456,728	9,317	0.6%
USA	553,551	547,721	5,830	1.1%
Austria	677,113	670,898	6,215	0.9%
Ireland	934,278	912,684	21,594	2.4%
United Kingdom	22,924	56,199	(33,275)	-59.2%
Belgium	720,605	719,639	966	0.1%
Portugal	371,608	379,113	(7,505)	-2.0%
Switzerland	21,726	32,477	(10,751)	-33.1%
Saudi Arabia	90,338	90,316	22	0.0%
Chile	212,968	214,101	(1,133)	-0.5%
China	165,270	165,210	60	0.0%
Latvia	29,772	29,740	32	0.1%
Iceland	14,973	14,967	6	0.0%
EFSF (European Financial Stability Facility)	712,439	640,874	71,565	11.2%
ESM (European Stability Mechanism)	619,426	511,905	107,521	21.0%
Total	**16,499,485**	**18,794,728**	**(2,295,243)**	**-12.2%**

The reduction in exposures to the Italian State is mainly attributable to sales during the year.

Main balance sheet aggregates

Hedging instruments

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amount	%
Asset hedging derivatives - positive valuations	880,955	1,691,642	(810,687)	-47.9%
Liability hedging derivatives - positive valuations	15,622	-	15,622	n.a.
Adjustment to the value of assets under macro-hedge	(189,303)	(266,938)	77,635	-29.1%
Total assets	**707,274**	**1,424,704**	**(717,430)**	**-50.4%**
of which:				
Positive valuations	859,675	1,697,148	(837,473)	-49.3%
Accrued interest	36,902	(5,506)	42,408	n.a.
Adjustments to the value of hedged assets	(189,303)	(266,938)	77,635	-29.1%
Total assets	**707,274**	**1,424,704**	**(717,430)**	**-50.4%**
Asset hedging derivatives - negative valuations	32,460	403	32,057	n.a.
Liability hedging derivatives - negative valuations	27,528	63,349	(35,821)	-56.5%
Adjustment to the value of assets under macro-hedge	(31,276)	(66,932)	35,656	-53.3%
Total liabilities	**28,712**	**(3,180)**	**31,892**	**n.a.**
of which:				
Negative valuations	56,226	66,861	(10,635)	-15.9%
Accrued interest	3,762	(3,109)	6,871	n.a.
Adjustments to the value of hedged liabilities	(31,276)	(66,932)	35,656	-53.3%
Total liabilities	**28,712**	**(3,180)**	**31,892**	**n.a.**

(Amounts in € thousand)

Summary of hedging derivative valuations	Assets	Liabilities	Difference
Valuation of hedging derivatives for assets and liabilities	859,675	56,226	803,449
Change in macro fair value hedged of assets/liabilities	(189,303)	(31,276)	(158,027)
Change in micro fair value hedged of financial assets/liabilities	(640,767)	-	(640,767)
Total	**29,605**	**24,950**	**4,655**

As at December 31st, 2023 the financial assets under macro-hedge consisted of mortgages to customers shown in “Financial assets at amortised cost”, while the financial liabilities under macro-hedge consisted of direct deposits to customers shown in “Financial liabilities at amortised cost”.

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

Positive and negative valuations of hedging derivatives related solely to derivative contracts that the Bank has entered into to hedge against interest rate risk inherent in the above-mentioned assets and liabilities, whose ineffectiveness of coverage amounted to € 4.7 million as at December 31st, 2023.

The negative change in asset hedging derivative contracts recognised in the year is attributable to both the closure of certain derivative contracts at the same time as the sale of the hedged debt securities and the reduction in fair value of existing contracts.

Main balance sheet aggregates

Property, plant and equipment

Property, plant and equipment are made by properties, electronic equipment, office furniture and fittings, plant and machinery, including any “usage rights” determined in accordance with IFRS 16.

(Amounts in € thousand)

Property, plant and equipment	Balance 12/31/2022	Investments year 2023	Other changes and sales Year 2023	Amortisation and impairment Year 2023	Balance 12/31/2023
Properties and lands	124,458	10,023	(154)	(12,635)	121,692
Electronic equipment	15,835	9,243	(42)	(6,261)	18,775
Office furniture and fittings	3,042	897	(1)	(1,144)	2,794
Plant and machinery	2,873	1,489	(22)	(1,104)	3,236
Total	**146,208**	**21,652**	**(219)**	**(21,144)**	**146,497**

It should be noted that the item “Properties and lands” includes the book value of € 62.7 million of the building in which the Bank’s registered office is located, Milan, Piazza Durante 11, and the "right of use" relating to buildings and lands for an amount of € 59 million, determined in accordance with the provisions of IFRS 16.

Investments in Properties and lands refer to the recognition of the right to use new financial shops, while “other changes” refer to changes in lease payments due after initial recognition. On Investments in electronic equipment were made to guarantee the ongoing update of the hardware used by all Group’s departments. Investments in office furniture and fittings and in plant and machinery are intended for use in company offices and in financial shops.

Goodwill

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

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

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

Impairment testing on goodwill, performed on December 31st, 2023, did not identify any impairment. For all other information on the impairment test and relating sensitivity analysis, see Part B – Consolidated Balance Sheet in the notes to the consolidated accounts – Section 10 – Intangible assets of notes to the consolidated accounts.

Main balance sheet aggregates

Other intangible assets

Other intangible assets include Fineco's trademarks and domains, amounting to € 27.5 million, and software with long-term usefulness, necessary to manage the evolution and the continuous offer by the Group of new and more versatile high-added-value services for customers, as well as infrastructure and application optimizations, improvements to the architecture dedicated to application security and developments needed to meet regulatory and financial reporting requirements, amounting to € 7 million.

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

(Amounts in € thousand)

Intangibles assets	Balance	Investments Year	Other changes and sales Year	Amortisation and impairment Year	Balance
	12/31/2022	2023	2023	2023	12/31/2023
Software	9,290	3,673	-	(5,963)	7,000
Brands	27,459	-	-	-	27,459
Other intangible assets	38	-	-	(32)	6
Total	**36,787**	**3,673**	**-**	**(5,995)**	**34,465**

Tax credits acquired

Tax credits acquired include the carrying amount of tax credits purchased under Decree-Law 34/2020 and subsequent updates, for a carrying amount of € 1,618 million, up from € 1.093.3 million outstanding as of December 31st, 2022 due to purchases made during 2023. The item include both tax credits purchased because of assignment by direct beneficiaries and purchased as a result of assignment by previous purchasers. For further details see Part B – Consolidated Balance Sheet, Section 13 – Other assets – Item 130 of the notes to the consolidated accounts.

Main balance sheet aggregates

Tax Assets and Other Assets

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amount	%
Tax assets				
Current assets	-	-	-	n.a.
Deferred tax assets	52,816	47,823	4,993	10.4%
Deferred tax assets pursuant to Law 214/2011	1,615	2,407	(792)	-32.9%
Offsetting with deferred tax liabilities - IAS 12	*(4,434)*	*(3,653)*	*(781)*	*21.4%*
Offsetting with deferred tax liabilities - IAS 12	(4,434)	(3,653)	(781)	21.4%
Total Tax assets	**49,997**	**46,577**	**3,420**	**7.3%**
Other assets				
Trade receivables according to IFRS15	8,049	7,896	153	1.9%
Current receivables not related with the provision of financial services	3,730	2,050	1,680	82.0%
Receivables due to disputed items not deriving from lending	129	129	-	n.a.
Improvement and incremental expenses incurred on leasehold assets	2,809	3,691	(882)	-23.9%
Definitive items not recognised under other items	20,191	19,673	518	2.6%
- securities and coupons to be settled	541	3,589	(3,048)	-84.9%
- other transactions	19,650	16,084	3,566	22.2%
Tax items other than those included in the item "Tax assets"	258,290	295,937	(37,647)	-12.7%
- tax advances	254,217	290,700	(36,483)	-12.6%
- tax credit	4,073	5,237	(1,164)	-22.2%
- tax advances on employee severance indemnities	-	-	-	n.a.
Items awaiting settlement	4,594	4,153	441	10.6%
- notes, cheques and other documents	4,594	4,153	441	10.6%
Items in processing	10,817	7,753	3,064	39.5%
- POS, bancomat and Visa debit	10,813	7,749	3,064	39.5%
- others	4	4	-	n.a.
Items in transit not allocated to relevant accounts	-	1	(1)	-100.0%
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	26,042	16,980	9,062	53.4%
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	76,585	80,407	(3,822)	-4.8%
Total other assets	**411,236**	**438,670**	**(27,434)**	**-6.3%**

Tax assets, post IAS 12 offsetting, do not show any significant changes compared to December 31st, 2022. It should be noted that current and deferred "Tax assets", when the requirements of IAS 12 are met, are shown in the balance sheet offset against current and deferred "Tax liabilities", respectively.

With regard to **Other Assets**, it should be noted a decrease in the item "Tax items other than those included in the item "Tax assets"", in the amount of € 38 million, mainly determined by lower advances paid for the substitute tax on miscellaneous income. The increase of € 9.1 million in "Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities" is due higher prepaid expenses related to operating costs.

Main balance sheet aggregates

Deposits from banks

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amount	%
Deposits from banks	**866,978**	**1,677,235**	**(810,257)**	**-48.3%**
Current accounts and demand deposits	1,205	7,812	(6,607)	-84.6%
Loans	50,786	55,321	(4,535)	-8.2%
-Repos	50,786	55,321	(4,535)	-8.2%
Lease liabilities	3,487	3,691	(204)	-5.5%
Other liabilities	811,500	1,610,411	(798,911)	-49.6%
Total	**866,978**	**1,677,235**	**(810,257)**	**-48.3%**

Deposits from banks amounted to € 867 million and decreased by € 810.3 million compared to December 31st, 2022, mainly due to the reduction in variation margins received for derivative transactions as a result of the termination of certain hedging derivative contracts, as described above, and negative change in fair value recorded by hedging derivative contracts in 2023.

The item "Current accounts and demand deposits" reduced by € 6.6 million mainly due to the decrease in liquidity on current accounts opened by customer banks.

The item "Loans - Repos" is represented only by stock lending transactions with credit institutions, stock lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities. This item does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" transactions in table A.1.5 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidation - Quantitative information in the notes to the consolidated accounts.

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

The item "Other liabilities" mainly includes margin variations received for transactions in derivative contracts, the change in which, as described above, is a direct consequence of the closure of certain hedging derivative contracts and the reduction in fair value on hedging derivative contracts in 2023.

Deposits from customers

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amount	%
Current accounts and demand deposits	27,704,387	30,538,691	(2,834,304)	-9.3%
Time deposits	695,275	-	695,275	n.a.
Loans	133,930	930,840	(796,910)	-85.6%
- Repos	133,930	930,840	(796,910)	-85.6%
Lease liabilities	57,895	59,660	(1,765)	-3.0%
Other liabilities	166,102	166,456	(354)	-0.2%
Deposits from customers	**28,757,589**	**31,695,647**	**(2,938,058)**	**-9.3%**

Deposits from customers totalled € 28,757.6 million, down € 2,938.1 million compared to December 31st, 2022 as a result of the reduction in direct deposits from customers in current accounts and the termination of funding transactions carried out by the Parent Company's treasury through repurchase agreements on the Repo MTS market outstanding at December 31st, 2022. With reference to the reduction in direct deposits from customers in current accounts, it should be noted that the same was placed in asset under management products, assets under custody and Fineco's "Cash Park" time deposit, represented in the item "Time deposits", subject to specific commercial initiatives implemented in the last months of 2023.

Main balance sheet aggregates

The item “Loans - Repos” consist of:

- “*Short selling*” with retail customers and stock lending transactions with transactions institutional customers, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities, for an amount of € 133.9 million;
- repos on securities carried out by the Parent Company treasury on Repo MTS market and settled through a Central Counterparty, subject to accounting offsetting as set out in IAS 32, for an amount of € 50 thousand.

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

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

The item “Other liabilities” comprises current payables related to the provision of financial services, totalling € 52.7 million (€ 51.1 million as at December 31st, 2022), initial and variations margins for derivative and financial instrument transactions, which came to € 52.8 million (€ 53.2 million as at December 31st, 2022) and other liabilities for rechargeable credit cards and bankers’ drafts, amounting to € 60.7 million (€ 62.1 million at December 31st, 2022).

Debt securities in issue

Debt securities in issue amount to € 809.3 million (€ 497.9 million as at December 31st, 2022) and include exclusively the Senior Preferred instrument issued by FinecoBank in October 2021, for a nominal amount of € 500 million, and in February 2023, for a nominal amount of € 300 million.

Financial liabilities held for trading

Financial liabilities held for trading totalled € 7 million (€ 4.6 million as at December 31st, 2022) and include financial instruments that meets the definition of held for trading, in particular:

- technical overdrafts, amounting to € 2.2 million (€ 0.4 million as at December 31st, 2022), used for the operational hedging of CFD positions on shares open with customers and intended to be traded in the short term;
- the negative valuation of spot contracts for securities in the held for trading portfolio and currencies to be settled in time frames established by market practices ("regular way") for € 1.4 million (€ 2.4 million as at December 31st, 2022), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the negative valuation of CFD derivative contracts, Knock Out Options and Certificates issued, traded in counterpart of the customers, as well as regulated derivative contracts or contracts entered into with institutional counterparties for the purpose of hedging such derivative contracts on a managerial basis, for an overall amount of € 3.3 million (€ 1.8 million as at December 31st, 2022).

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

Main balance sheet aggregates

Tax liabilities and Other liabilities

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amount	%
Current liabilities	86,706	42,627	44,079	103.4%
Deferred tax liabilities	4,434	3,653	781	21.4%
Total before IAS 12 offsetting	*91,140*	*46,280*	*44,860*	*96.9%*
Offset against deferred tax liabilities - IAS 12	(4,434)	(3,653)	(781)	21.4%
Total Tax liabilities	**86,706**	**42,627**	**44,079**	**103.4%**
Payables to Directors and Statutory auditors	257	241	16	6.6%
Payables to employees	18,920	17,305	1,615	9.3%
Social security contributions payable	8,745	7,717	1,028	13.3%
Current payables not related with the provision of financial services	43,107	42,589	518	1.2%
Definitive items not recognised under other items	66,471	45,955	20,516	44.6%
- securities and coupons to be settled	28,128	10,318	17,810	172.6%
- payment authorisations	22,705	24,480	(1,775)	-7.3%
- other items	15,638	11,157	4,481	40.2%
Tax items other than those included in the item "Tax liabilities"	71,993	55,995	15,998	28.6%
- sums withheld from third parties as withholding agent	39,741	31,631	8,110	25.6%
- other	32,252	24,364	7,888	32.4%
Illiquid items for portfolio transactions	1,500	2,017	(517)	-25.6%
Items awaiting settlement	180,008	130,091	49,917	38.4%
- outgoing bank transfers	152,839	115,172	37,667	32.7%
- POS and ATM cards	27,169	14,919	12,250	82.1%
Items in processing	2,785	880	1,905	216.5%
- incoming bank transfers	1,326	808	518	64.1%
- other items in processing	1,459	72	1,387	n.a.
Deferred income other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	240	275	(35)	-12.7%
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	19,195	19,572	(377)	-1.9%
Sums available to be paid to customers	8,013	11,715	(3,702)	-31.6%
Provisions for employee severance pay	4,378	3,942	436	11.1%
Provisions for risks and charges	139,166	105,365	33,801	32.1%
Total Other liabilities	**564,778**	**443,659**	**121,119**	**27.3%**

Tax liabilities, after IAS 12 offsetting, are represented exclusively by current tax liabilities, in the amount of € 87 million. It should be noted that current and deferred "Tax liabilities", when the requirements of IAS 12 are met, are shown in the consolidated balance sheet offset against current and deferred "Tax assets", respectively.

With regard to **Other liabilities**, we highlight, in particular, the increase in the item "Items awaiting settlement" amounting to € 49.9 million, as a result of higher outgoing bank transfers and POS and ATM transactions to be settled with circuits, and the increase of item "Definitive items not recognised under other items - securities and coupons to be settled", which amounted to € 17.8 million, mainly due to higher securities transactions settled after the end of the year.

The item "**Provision for risks and charges**", that increased by € 33,8 million**,** consists of:

- Provisions for credit risk relating to commitments and financial guarantees for an amount of € 0.3 million (€ 0.01 million as at December 31st, 2022);

Main balance sheet aggregates

- Provisions for risks and charges - Other provisions which include allowances for a total of € 138.9 million, for which, given a liability of uncertain expiry date and/or amount, a current obligation was identified as a result of a past event and the amount arising from fulfilment of said obligation could be estimated reliably.

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

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amount	%
Provision for risks and charges for commitments and guarantees given	**304**	**74**	**230**	**n.a.**
Legal and fiscal disputes	**27,308**	**27,417**	**(109)**	**-0.4%**
- Pending cases	21,305	19,661	1,644	8.4%
- Complaints	2,512	4,339	(1,827)	-42.1%
- Tax disputes	3,491	3,417	74	2.2%
Staff expenses	**7,812**	**6,799**	**1,013**	**14.9%**
Other	**103,742**	**71,075**	**32,667**	**46.0%**
- Supplementary customer indemnity provision	89,948	68,584	21,364	31.2%
- Provision for contractual payments and payments under non-competition agreements	220	383	(163)	-42.6%
- Other provision	13,574	2,108	11,466	n.a.
Provision for risks and charges - Other provision	**138,862**	**105,291**	**33,571**	**31.9%**
Total provision for risks and charges	**139,166**	**105,365**	**33,801**	**32.1%**

The provision for "Legal and fiscal disputes" mainly includes accruals made against claims and disputes relating to damages caused to customers as a result of unlawful conduct by the Bank's personal financial advisors, accruals relating to outstanding disputes with personal financial advisors (generally labour disputes) and other ongoing judicial and extrajudicial disputes with customers, in relation to ordinary banking business, and other parties, as well as accruals for tax disputes.

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

With reference to the provision for "Other", it should be noted the increase in the item "Supplementary customer indemnity provision", attributable to the actuarial valuation as at December 31st, 2023, which led to an increase of € 14.8 million, and to the net provisions (service cost and interest expense) recognised during the year, amounting to € 8 million. Lastly, it should be noted that the increase in the item "Other provisions" is mainly due to the provision recognised in relation to the obligations arising from the cost rebalancing agreement that the Parent Company signed with the other distributing banks as part of the operation aimed at protecting the subscribers of Eurovita policies described above.
Lastly, it should be noted that the item "Provision for contractual payments and payments under non-competition agreements" as at December 31st, 2023 only includes the Provision for contractual indemnity, as the Provision for non-competition agreements in place as at December 31st, 2022 was entirely written off during 2023.

Main balance sheet aggregates

Shareholders' equity

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amount	%
Share capital	201,508	201,340	168	0.1%
Share premium reserve	1,934	1,934	-	n.a.
Reserves	890,106	778,211	111,895	14.4%
(Treasury shares)	(1,243)	(1,714)	471	-27.5%
Revaluation reserves	(6,730)	2,121	(8,851)	n.a.
Equity instruments	500,000	500,000	-	n.a.
Net profit (Loss) for the year	609,101	428,505	180,596	42.1%
Total	**2,194,676**	**1,910,397**	**284,279**	**14.9%**

As at December 31st, 2023, the share capital came to € 201.5 million, divided into 610,631,635 ordinary shares with a par value of € 0.33 each. Share premium reserve amounts to € 1.9 million.

The reserves consisted of the:

- Legal reserve, amounting to € 40.3 million;
- Reserve for treasury shares held, amounting to € 1.2 million;
- Other reserves, of which:
  - o Reserve related to equity-settled plans, amounting to € 45.8 million;
  - o Consolidation reserve, amounting to € 34.7 million;
  - o Reserves of unavailable profits pursuant to Article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 2.2 million;
  - o other profit reserves, amounting to € 765.9 million, of which € 86.4 million subject to a taxability restriction in the event of distribution, allocated as a result of the tax realignment of goodwill provided for by Article 110 of Decree-Law 104 of 2020.

Consolidated Shareholders' equity includes the following financial instrument:

- Additional Tier 1 issued on January 31st, 2018. The financial instrument is a perpetual private placement[17], issued for a total of € 200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%. Starting on June 3rd, 2023, and for the next five years, the coupon was set at 7.363%. During 2023 the payment of the related coupon had been accounted for in decrease of the Extraordinary reserve for € 3.5 million, net of the related taxation;
- Additional Tier 1 issued on July 11th, 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of € 300 million. The coupon for the first 5 years has been fixed at 5.875%. During 2023 the coupons paid were accounted for as a reduction in Extraordinary Reserve for an amount of € 21.6 million, net of related taxes.

On February 7th, 2023, in consideration of the achievement of the minimum entry conditions at Group level and the individual requirements (compliant conduct and continued employment) and on the favourable opinion of the Remuneration Committee held on February 6th, 2023, the Board of Directors of FinecoBank approved:

- the allocation of 342,170 free ordinary shares to the beneficiaries of the first, second and third share tranche of the 2018-2020 long-term incentive plan for employees, granted in 2018, and consequently a free share capital increase for a total amount of € 0.1 million with effect as of March 31st, 2023;
- the allocation of 169,605 free ordinary shares to the beneficiaries of the fourth share tranche of the 2017 Incentive System, the third share tranche of the 2018 Incentive System, the fourth share tranche of the severance paymend agreed in 2018 for an executive with strategic responsibility, the second and third share tranches of the 2019 Incentive System, the second share tranche of the 2020 Incentive System and the first share tranche of the 2021 Incentive System, and consequently a free share capital increase in the total amount of € 0.05 million with effect as of March 31st, 2023.

As a result of the aforementioned capital increases, the available profit reseves was reduced, and in particular, the reserve related to the medium/long-term incentive plan for FinecoBank's personnel, established with the available Extraordinary Reserve. The Extraordinary Reserve was also used to cover transaction costs directly attributable to the transactions.

[17] Unrated and unlisted.

Main balance sheet aggregates

The FinecoBank Shareholders' Meeting held on April 27th, 2023 approved the allocation of the profit of FinecoBank S.p.A. for the year 2023, as follows:

- to the 610,631,635 ordinary shares with a par value of € 0.33, constituting the share capital including 511,775 shares related to the capital increase to support the employee incentive system approved by the Board of Directors on February 7th, 2023, a unit dividend of € 0.49 totaling € 299.2 million;
- € 0.03 million to the Legal reserve, corresponding to 0.008% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 0.7 million to the reserve of unavailable pursuant to article 6 paragraph 2 of Legislative Decree 38/2005:
- € 122 million to the extraordinary reserve.

The same Shareholders' Meeting also approved the elimination of the negative reserve arising from the valuation of equity securities designated at fair value with an impact on comprehensive income by hedging the same with the use of the available extraordinary reserve in the amount of € 136.77. This reserve had been recognised following the sale transaction, effective as of September 27th, 2022, of the 20 shares of UniCredit Services S.C.p.A., held by FinecoBank for an amount of € 172.37 and sold for a consideration of € 35.6.

In addition, during 2023 the extraordinary reserve was reduced by € 21.6 millon for the amount, net of related taxation, of coupons paid to holders of Additional Tier 1 financial instruments issued by the Bank, and it has been increased for the portion of dividends not distributed in respect of treasury shares held by the Bank at the record amounting to € 0.04 million.

As at December 31st, 2023, the Group, specifically the Parent Company FinecoBank, held 91,459 shares of FinecoBank, in relation to the incentive plans for financial advisors, corresponding to 0.015% of the shares representing the share capital, for an amount of € 1.2 million. During 2023, 31,000 shares, amounting to € 0.5 million, were purchased in relation to the "2022 PFA incentive scheme" in favour of financial advisors identified as "Key Personnel" and were allocated to personal financial advisors identified as "Key Personnel" 3,435, 8,227, 12,781, 45,380 and 6,197 FinecoBank ordinary shares held in portfolio, under the "2018 PFA Incentive System", "2019 PFA Incentive System", "2020 PFA Incentive System" and "2021 PFA Incentive System" respectively, and of 2018-2020 long-tem incentive plan, for a total amount of € 1 million. Consequently, the Treasury shares reserve decreased by a total of € 0.5 million with a simultaneous increase in the Extraordinary reserve.

The "Reserve related to Equity Settled plans" increased by € 5.3 million as a result of the recognition, during the vesting period of the instruments, of the economic and equity effects, in accordance with International Financial Reporting Standard IFRS 2, of the share-based payment agreements and settled with FinecoBank ordinary shares and was used for € 1 million following the allocation to the financial advisors of the share tranches, previously mentioned, relating to the incentive system, for a total of 76,020 FinecoBank ordinary shares.

The Valuation reserve consist of:

- € -2.6 million from the net negative valuation reserve for debt securities issued by sovereign States accounted for in "Financial assets at fair value through other comprehensive income", which recorded a positive change of € 1.3 million compared to December 31st, 2022, due to the fair value change net of related tax;
- € -4.1 million from the net negative reserve for defined benefit plans, which recorded a negative change of € 10.2 million compared to December 31st, 2022 due to the recognition of actuarial losses, net of taxation, mainly related to the provision for supplementary clientele severance indemnity.

Main balance sheet aggregates

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

(Amounts in € thousand)

Description	Shareholders' Equity 12/31/2023	of which: Net Profit 12/31/2023
FinecoBank balances	**2,155,387**	**604,498**
Effect of consolidation of Fineco AM	152,982	118,296
Dividends from Fineco AM cashed in the period	(113,693)	(113,693)
Shareholders' equity and profit attributable to minorities	-	-
Balances attributable to the Group	**2,194,676**	**609,101**

Shareholders

As at December 31st, 2023, the fully subscribed and paid-up share capital totalled € 201,508,439.55, divided into 610,631,635 ordinary shares with a nominal value of € 0.33.

As at December 31st, 2023, the major shareholders were:

Major Shareholders	**% owned**
BlackRock Inc.	9.185%
Schroders PLC	5.054%
Capital Research and Management Company	5.034%
Wellington Management Group LLP	5.015%
FMR LLC	4.460%

Income Statement Figures

Financial margin

Financial margin stood at € 688 million, up 75.4% compared to the previous year thanks to the contribution of Net interest.

Net interest in 2023 amounted to € 687.7 million, up € 345 million on the previous year, mainly thanks to the growth in market interest rates, as a portion of loans and debt securities are sensitive to changes in interest rates, also thanks to the entering in derivative contracts to hedge interest rate risk, which provide for the collection of the variable rate and the payment of the fixed rate. The item Net interest also includes incomes generated by securities lending activities carried out by the Parent Company's treasury, amounting to € 4 million (€ 5.2 million in 2022).

Profits from Treasury amounted to € 0.2 million and only included net gains generated from the sale of securities accounted for in "Financial assets at amortised cost" (€ 49.4 million in 2022). It should be noted that in 2022 the item included also the net gains generated from the sale of securities accounted for in "Financial assets at fair value through comprehensive income" of € 0.3 million. The sales took place in accordance with IFRS9 and in application of the rules defined for the HTC business model.

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

(Amounts in € thousand)

Interest Income	Year		Changes	
	2023	2022	Amount	%
Financial Assets held for trading	-	1	(1)	-100.0%
Financial assets at fair value through comprehensive income	252	212	40	18.9%
Other financial assets mandatorily at fair value	5	5	-	n.a.
Financial assets at amortised cost - Debt securities issued by banks	59,678	49,265	10,413	21.1%
Financial assets at amortised cost - Debt securities issued by customers	229,684	184,148	45,536	24.7%
Financial assets at amortised cost - Loans and receivables to banks	11,227	2,834	8,393	296.2%
Financial assets at amortised cost - Loans and receivables to customers	183,612	94,209	89,403	94.9%
Hedging derivatives	211,861	(5,358)	217,219	n.a.
Other assets	81,912	19,615	62,297	n.a.
Financial liabilities	170	12,339	(12,169)	-98.6%
Other financial margins from Treasury activities	3,960	5,248	(1,288)	-24.5%
Total interest income	**782,361**	**362,518**	**419,843**	**115.8%**

Interest income on Financial assets at fair value through comprehensive income show no significant changes compared to 2022.

Interest income on Financial assets at amortised cost - Debt securities issued by banks recorded an increase of € 10.4 million (+21.1%), due, in particular, to the increase in interest rates on variable-rate securities.

Interest income on Financial assets at amortised cost - Debt securities issued by customers mainly refer to interest accrued on government, supranational institution and local authorities securities. The increase (+24.7%) is mainly attributable to the increase in market interest rates.

Hedging Derivatives includes the positive and negative differentials of derivative contracts entered into to hedge interest rate risk on loans lent to customers and debt securities accounted for in "Financial assets measured at amortized cost", which provide for payment of the fixed rate and the collection of the indexed rate, and direct customer deposits accounted for in "Financial liabilities measured at amortized cost," which provide for payment of the indexed rate and collection of the fixed rate. The positive change in differentials of € 217.2 million is mainly attributable to the previously mentioned increase in market rates.

Interest income recognized on Other assets includes interest calculated using the effective interest method accrued on purchased tax credits in the amount of € 31.1 million (€ 13.7 million in 2022) and accrued interest on demand receivables to banks and central banks recognised under "Cash and cash equivalents" in the amount of € 50.6 million (€ 5.9 million in 2022).

Income Statement Figures

Interest income recognized on Financial Liabilities was essentially zero as a result of the trend in market interest rates. It should be noted, in fact, that the negative interest rates recognised in 2022 led to the recognition of interest income on TLTRO III transactions, in the amount of € 6.5 million, on repurchase agreements made on the Repo MTS market, in the amount of € 3.2 million, and on passive stock lending transactions, variation margins and cash collateral received, in the amount of € 2.6 million.

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

With reference to **interest on Financial Assets at amortized cost – Loans and receivables**, a table detailing the composition by counterparty, banks and customers, and technical form is given below:

(Amounts in € thousand)

Breakdown of interest income	Year		Changes	
	2023	2022	Amount	%
Interest income on loans and receivables to banks	**11,227**	**2,834**	**8,393**	**296.2%**
- reverse repos	17	5	12	240.0%
- time deposit for compulsory reserves	6,584	1,769	4,815	272.2%
- time deposits	3,898	970	2,928	n.a.
- other loans and cash collaterals	728	90	638	n.a.
Interest income on loans and receivables to customers	**183,612**	**94,209**	**89,403**	**94.9%**
- current accounts	90,215	27,715	62,500	225.5%
- reverse repos	17,271	12,125	5,146	42.4%
- mortgages	43,907	30,571	13,336	43.6%
- credit cards	3,981	3,967	14	0.4%
- personal loans	22,378	19,116	3,262	17.1%
- other loans and cash collaterals	5,860	715	5,145	n.a.

Interest income on loans and receivables to banks amounted to € 11.2 million, increasing by € 8.4 million compared to 2022, mainly due to higher interest on time deposits, including the deposit for reserve requirements, because of the increase in interest market rates.

Interest income on loans and receivables to customers amounted to € 183.6 million, increasing by € 89.4 million compared to the previous year (+94.9%), because of the growth in interest market rates from which almost all forms of lending benefited and, in particular, current account overdrafts (+ € 62.5 million).

Income Statement Figures

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

(Amounts in € thousand)

Interest Expenses	Year		Changes	
	2023	2022	Amount	%
Financial liabilities at amortised cost - Deposits from banks	(42,742)	(5,330)	(37,412)	n.a.
Financial liabilities at amortised cost - Deposits from customers	(35,456)	(7,674)	(27,782)	n.a.
Debt securities in issue	(15,188)	(3,160)	(12,028)	n.a.
Financial assets	(1,227)	(3,558)	2,331	-65.5%
Total interest expenses	**(94,613)**	**(19,722)**	**(74,891)**	**n.a.**
Net interest	**687,748**	**342,796**	**344,952**	**100.6%**
Profits from Treasury	**208**	**49,404**	**(49,196)**	**-99.6%**
Financial margin	**687,956**	**392,200**	**295,756**	**75.4%**

Interest expense on Debt securities in issue refers to the interest accrued on the Senior Preferred Bond issued by FinecoBank the increase of which is attributable to interest accrued on the bond issued during 2023.

Interest Expense on Financial Assets mainly refer to the negative interest recognised on certain securities owned. It should be noted, in fact, that the negative interest rates recognised in 2022 led to the recognition of interest expense on cash collateral paid for transactions in derivatives and financial markets, and on cash at banks, central banks and specialised companies.

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

(Amounts in € thousand)

Breakdown of interest expenses	Year		Changes	
	2023	2022	Amount	%
Interest expenses on deposits from banks	**(42,742)**	**(5,330)**	**(37,412)**	**n.a.**
- correspondent current accounts	(48)	(1)	(47)	n.a.
- demand deposits and cash collaterals	(40,562)	(5,038)	(35,524)	n.a.
- other current accounts	(9)	(11)	2	-18.2%
- reverse repos	(2,042)	(195)	(1,847)	n.a.
- lease liabilities	(81)	(85)	4	-4.7%
Interest expenses on deposits from customers	**(35,456)**	**(7,674)**	**(27,782)**	**n.a.**
- current accounts	(17,643)	(5,100)	(12,543)	245.9%
- time deposits	(1,769)	-	(1,769)	n.a.
- reverse repos	(14,725)	(1,612)	(13,113)	n.a.
- lease liabilities	(1,319)	(962)	(357)	37.1%

Interest expenses on deposits from banks amounted to € 42.7 million, up of the same amount compared to 2022 mainly due to interest expense recognised on cash collateral received for derivative transactions, due to increase in market rates.

Interest expenses on deposits from customers amounted to € 35.5 million, showing an increase of € 27.8 million compared to the previous year, mainly due to higher interest expenses on a cluster of customer current accounts in currencies other than the euro interest-bearing, and on funding transactions carried out by Parent Company treasury through repo transactions on the MTS Repo Market.

Income Statement Figures

Revenues

(Amounts in € thousand)

	Year		Changes	
	2023	2022	Amounts	%
Financial margin	687,956	392,200	295,756	75.4%
Dividends and other income from equity investments	(68)	(276)	208	-75.4%
Net fee and commission income	489,906	465,627	24,279	5.2%
Net trading, hedging and fair value income	60,402	89,899	(29,497)	-32.8%
Net other expenses/income	(565)	156	(721)	n.a.
REVENUES	**1,237,631**	**947,606**	**290,025**	**30.6%**

Dividends and other income from equity investments

Dividends and other income from equity investments include only the negative effect recognised in the income statement for the year 2023 following the equity valuation of Vorvel SIM S.p.A., company subject to significant influence.

Net fee and commission income

(Amounts in € thousand)

Management reclassification	Year		Changes	
	2023	2022	Amount	%
Brokerage	**105,930**	**100,515**	**5,415**	**5.4%**
of which:				
- Equity	73,813	79,039	(5,226)	-6.6%
- Bonds	16,669	7,171	9,498	132.5%
- Derivatives	10,750	12,018	(1,268)	-10.6%
- Other commissions	4,698	2,287	2,411	105.4%
Investing	**329,833**	**308,957**	**20,876**	**6.8%**
of which:				
- Placement fees	3,374	5,234	(1,860)	-35.5%
- Management fees	393,095	374,404	18,691	5.0%
- Other	4,250	4,566	(316)	-6.9%
- Other to PFA	(70,886)	(75,247)	4,361	-5.8%
Banking	**55,326**	**56,155**	**(829)**	**-1.5%**
Others	**(1,183)**	**-**	**(1,183)**	**n.a.**
Total	**489,906**	**465,627**	**24,279**	**5.2%**

The table above shows net commissions broken down according to the three macro-areas of integrated activities into which the Group's offerings are divided, as described above. Specifically, Banking includes current account services, payment services and the issuance of debit, credit and prepaid cards, mortgages, overdrafts and personal loans; Brokerage, includes the service of executing orders on behalf of clients; Investing includes the asset management activity performed by Fineco AM, placement and distribution services for third-party financial products, including mutual funds, open-ended investment companies sub-funds, insurance and pension products, as well as investment advisory services.

Net commissions increased by € 24.3 million compared to the previous year, mainly thanks to fees and commissions generated by the Investing segment (+€ 20.9 million), thanks to the increased contribution of Fineco AM and the growth in asset under management. In 2023, the subsidiary

Income Statement Figures

Fineco AM generated net fees for € 151.4 million. In addition, it should be noted the growth in net fee and commission income generated by the Brokerage segment (+ € 5.4 million), while net commissions related to Banking recorded a slight decrease (- € 0.8 million).

Net trading, hedging and fair value income amounted to € 60.4 million and shows a decrease of € 29.5 million compared to the previous year. The item mainly includes profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivative contracts and the exchange differences on assets and liabilities denominated in currency. The item also includes the ineffectiveness component of hedging transactions, amounting to - € 7.2 million (+ € 12.2 million in 2022), determined by the application of different curves for the fair value measurement of hedging derivatives and hedged items in fair value hedge transactions. This result also includes the income components from financial instruments recognised under "Other financial assets mandatorily at fair value", which include the Visa INC Class "C" and "A" preferred shares, whose fair value measurement resulted in a positive result of € 1 million in 2023 (€ 0.1 million in 2022).

Net other expenses/income is negative for € 0.6 million.

Operating costs

(Amounts in € thousand)

	Year		Changes	
	2023	2022	Amount	%
Staff expenses	(126,867)	(117,294)	(9,573)	8.2%
Other administrative expenses	(307,918)	(273,486)	(34,432)	12.6%
Recovery of expenses	163,603	136,830	26,773	19.6%
Impairment/write-backs on intangible and tangible assets	(27,139)	(26,865)	(274)	1.0%
Total operating costs	**(298,321)**	**(280,815)**	**(17,506)**	**6.2%**

Operating costs increased by 6.2% compared to the previous year, partly determined by costs closely linked to business growth (assets, volumes, customers and structure), certified by the cost/income ratio, which stood at 24.1% (29.6% at December 31st, 2022).

Staff expenses amounted to € 126.9 million, of which € 11.6 million relating to staff expenses of Fineco AM, increasing by 8.2% compared to the previous year, thanks to continuous growth of the operating structure. In fact, the number of employees rose from 1,336 resources as at December 31st, 2022 to 1,384 resources as at December 31st, 2023.

(Amounts in € thousand)

Staff expenses	Year		Changes	
	2023	2022	Amount	%
1) Employees	**(124,362)**	**(115,204)**	**(9,158)**	**7.9%**
- wages and salaries	(84,810)	(78,465)	(6,345)	8.1%
- social security contributions	(20,556)	(18,463)	(2,093)	11.3%
- provision for employee severance pay	(785)	(734)	(51)	6.9%
- allocation to employee severance pay provision	(179)	(121)	(58)	47.9%
- payment to supplementary external pension funds:	(6,046)	(5,502)	(544)	9.9%
a) defined contribution	(6,046)	(5,502)	(544)	9.9%
- costs related to share-based payments*	(4,780)	(4,998)	218	-4.4%
- other employee benefits	(7,206)	(6,921)	(285)	4.1%
2) Directors and statutory auditors	**(2,519)**	**(2,105)**	**(414)**	**19.7%**
3) Recovery of expenses for employees seconded to other companies	**14**	**15**	**(1)**	**-6.7%**
Total staff expenses	**(126,867)**	**(117,294)**	**(9,573)**	**8.2%**

Income Statement Figures

(Amounts in € thousand)

Other Administrative Expenses and Recovery of expenses	Year		Changes	
	2023	2022	Amount	%
1) INDIRECT TAXES AND DUTIES	**(171,026)**	**(142,916)**	**(28,110)**	**19.7%**
2) MISCELLANEOUS COSTS AND EXPENSES				
A) Advertising expenses - Marketing and communication	**(29,780)**	**(26,459)**	**(3,321)**	**12.6%**
Mass media communications	(20,931)	(21,928)	997	-4.5%
Marketing and promotions	(7,186)	(3,524)	(3,662)	103.9%
Sponsorships	(427)	(582)	155	-26.6%
Conventions and internal communications	(1,236)	(425)	(811)	190.8%
B) Expenses related to credit risk	**(1,612)**	**(1,493)**	**(119)**	**8.0%**
Credit recovery expenses	(419)	(215)	(204)	94.9%
Commercial information and company searches	(1,193)	(1,278)	85	-6.7%
C) Indirect expenses related to personnel and to personal financial advisors	**(4,665)**	**(3,131)**	**(1,534)**	**49.0%**
Other staff expenses	(1,582)	(1,096)	(486)	44.3%
Personal financial advisors expenses	(3,083)	(2,035)	(1,048)	51.5%
D) ICT expenses	**(57,556)**	**(54,633)**	**(2,923)**	**5.4%**
Lease of ICT equipment and software	(1,794)	(2,180)	386	-17.7%
Software expenses: lease and maintenance	(15,249)	(13,217)	(2,032)	15.4%
ICT communication systems, messaging and phone expenses	(6,285)	(7,565)	1,280	-16.9%
Consultancy and ICT services provided by third parties	(16,447)	(14,834)	(1,613)	10.9%
Financial information providers	(17,781)	(16,837)	(944)	5.6%
E) Consultancies and professional services	**(5,390)**	**(5,240)**	**(150)**	**2.9%**
Consultancies and professional services	(4,280)	(4,266)	(14)	0.3%
Legal expenses and disputes	(515)	(445)	(70)	15.7%
Auditing company expenses	(595)	(529)	(66)	12.5%
F) Furniture, machinery and equipment expenses and Real estate expenses	**(5,954)**	**(6,393)**	**439**	**-6.9%**
Repair and maintenance of furniture, machinery, and equipment	(537)	(304)	(233)	76.6%
Maintenance and cleaning of premises	(1,618)	(1,372)	(246)	17.9%
Premises rentals	(761)	(840)	79	-9.4%
Utilities and condominium expenses	(3,038)	(3,877)	839	-21.6%
G) Other functioning costs	**(30,341)**	**(31,386)**	**1,045**	**-3.3%**
Postage and transport of documents	(3,546)	(3,312)	(234)	7.1%
Administrative, logistic and call center services	(16,258)	(17,043)	785	-4.6%
Insurance	(3,990)	(4,404)	414	-9.4%
Association dues and fees	(4,145)	(4,277)	132	-3.1%
Other administrative expenses	(2,402)	(2,350)	(52)	2.2%
H) Adjustments of leasehold improvements	**(1,594)**	**(1,835)**	**241**	**-13.1%**
I) Recovery of costs	**163,603**	**136,830**	**26,773**	**19.6%**
Recovery of ancillary expenses	607	912	(305)	-33.4%
Recovery of taxes	162,996	135,918	27,078	19.9%
Total other administrative expenses and recovery of expenses	**(144,315)**	**(136,656)**	**(7,659)**	**5.6%**

Other administrative expenses net of **Recovery of expenses** came to € 144.3 million, with an increase of € 7.7 million compared to the previous year. In particular, the following should be noted:

- “ICT expenses” increased by € 2.9 million, among which it is highlighted the increase in “Software expenses: lease and maintenance“ for € 2 million, “Consultancy and ICT services provided by third parties” for € 1.6 million and in “Financial information providers” for € 0.9 million, functional to the Group's operations;
- “Advertising expenses - Marketing and communication”, up by € 3.3 million due, in particular, to higher marketing and promotional expenses.

Income Statement Figures

The item "Indirect taxes and duties", net of "Tax recoveries", increased by € 1 million, mainly due to higher charges for Tobin tax.

Impairment/write-backs on intangible and tangible assets increased by € 0.3 million.

Profit/(loss) before tax from continuing operations

(Amounts in € thousand)

	Year		Changes	
	2023	2022	Amount	%
OPERATING PROFIT (LOSS)	**939,310**	**666,791**	**272,519**	**40.9%**
Net impairment losses on loans and provisions for guarantees and commitments	(3,596)	(3,115)	(481)	15.4%
NET OPERATING PROFIT (LOSS)	**935,714**	**663,676**	**272,038**	**41.0%**
Other charges and provisions	(63,587)	(57,762)	(5,825)	10.1%
Net income from investments	111	(1,552)	1,663	n.a.
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**872,238**	**604,362**	**267,876**	**44.3%**

Net write-downs of loans and provisions for guarantees and commitments in 2023 amounted to - € 3.6 million (- € 3.1 million in 2022) and benefit from reversals of impairment losses due to the improvement in the macroeconomic scenario for an amount of approximately € 0.4 million (+ € 1.5 million in 2022), determined on the basis of the evidence resulting from the IFRS9 impairment models.

Other charges and provisions amounted to € 63.6 million, up 10.1% compared to 2022. The annual contributions paid to the Interbank Deposit Guarantee Fund under the Deposit Guarantee Scheme (DGS), totalling € 35 million, recorded a reduction of € 5 million compared to 2022 (€ 40 million paid in the previous year) and the ordinary annual contribution paid Single Resolution Fund within the framework of Directive 2014/59/EU, amounting to € 6.6 million, also recorded a reduction of € 1 million compared to 2022 (€ 7.6 million paid in the previous year). These reductions were offset by the provision recognised for obligations arising from the cost rebalancing agreement that the Parent Company signed with the other distributing banks as part of the operation aimed at protecting Eurovita policyholders described above.

Net income from investments amounted to € 0.1 million (€ -1.6 million in 2022) and benefited from write-backs deriving from changes in the macroeconomic scenario for an amount of € 0.3 million (- € 1.4 million in 2022).

Profit (loss) before tax from continuing operations amounted to € 872.2 million, increasing by 44.3% on the on the previous year (+44.2% excluding the non-recurring items of 2022[18]). The result was achieved, mainly, thanks to the increase in Financial Margin (+ € 295.8 million) and in Net fee and commission income (+ € 24.3 million), partially offset by in Net trading, hedging and fair value income (- € 29.5 million), and by higher Operating Cost (+ € 17.5 million).

[18] Change in fair value and cancellation of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 0.5 million (gross of the tax effect).

Income Statement Figures

Income tax for the year

(Amounts in € thousand)

Income tax for the year	Year		Changes	
	2023	2022	Amount	%
Current IRES income tax charges	(205,252)	(132,319)	(72,933)	55.1%
Current IRAP corporate tax charges	(46,540)	(31,307)	(15,233)	48.7%
Current foreign corporate tax charges	(17,154)	(15,040)	(2,114)	14.1%
Total current tax	**(268,946)**	**(178,666)**	**(90,280)**	**50.5%**
Change in deferred tax assets	6,673	3,635	3,038	83.6%
Change in deferred tax liabilities	(864)	(826)	(38)	4.6%
Total deferred tax liabilities	**5,809**	**2,809**	**3,000**	**106.8%**
Income tax for the year	**(263,137)**	**(175,857)**	**(87,280)**	**49.6%**

Income tax for the year were calculated according to the legal provisions introduced by Legislative Decree no. 38 of February 28th, 2005, which incorporated the IAS/IFRS Accounting Standards into Italian legislation, of Decree no. 48 of April 1st, 2009 which introduced provisions for the implementation and coordination of tax requirements for IAS Adopter parties and subsequent provisions. In particular, in 2019 the decree issued by the Italian Ministry of the Economy and Finance on August 5th, 2019, of coordination between international accounting standards and business income, and the subsequent amendment introduced by the law were implemented 160/2019 and subsequently by Article 42 of Law Decree No. 17 of 2022 on the deductibility of adjustments to customer loans, to be carried out in future tax periods, were implemented. Lastly, the Bank took into account of the recently issued provisions pursuant to Law Decree April 30th, 2019, n. 34 converted with amendments by the law of June 28th, 2019, n. 58 (so-called Growth Decree).

Current taxes were determined applying an IRES income tax rate of 27.5% (24% ordinary rate and 3.5% additional rate for banks) and an IRAP tax rate of 5.57% in Italy. As regards Fineco AM, current income taxes were calculated at a rate of 12.5%, according to the currently applicable tax regime.

Net profit (loss) for the year and Net profit (loss) attributable to the Group

The **Net profit for the year** – which is the same as the net profit attributable to the Group as Fineco AM is 100% controlled by the Bank – amounted to € 609.1 million, with an increase of 42.1% on the previous year (+42.0% excluding the non-recurring items accounted for 2022[19]).

[19] Change in fair value and cancellation of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 0.3 million (net of the tax effect).

Own funds and capital ratios

Own funds and capital ratios

The Group's prudential requirements as at December 31st, 2023 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26th, 2013 and subsequent Directives/Regulations amending their content, in particular Directive (EU) 878/2019 (CRD V), Regulation (EU) 876/2019 (CRR II) and Regulation (EU) 873/2020 of the European Parliament and of the Council (CRR Quick-fix), which transpose into the European Union the standards defined by the Basel Committee on Banking Supervision (Basel III framework), collected and implemented by the Bank of Italy through Circular No. 285 of December 17th, 2013 "Supervisory Provisions for Banks" and subsequent updates.

As at December 31st, 2023 the Consolidated Own funds amounted to € 1,651.5 million, including the profit for 2023, equal to € 609.1 million, net of dividends to be distributed totaling € 421.6 million, which the Board of Directors will propose for approval at the Shareholders' Meeting called for April 24th, 2024, and foreseeable charges of € 1.8 million, represented by the coupons, net of the related taxation, accrued on the Additional Tier 1 financial instruments issued by FinecoBank.

At the end of 2023, Risk-Weighted Assets are substantially unchanged compared to the previous year. The increase in operational risks, as a result of the update of the Relevant Indicator, with the inclusion of 2023 revenues and the exclusion of 2020 revenues, has been offset by the reduction in counterparty risk related to securities lending transactions carried out by the Parent Company Treasury and, to a lesser extent, the reduction in lending to customers.

As at December 31st, 2023, the Common Equity Tier 1 ratio stood at 24.34%, up from 20.82% as at December 31st, 2022 thanks to the portion of the profit for the year included in Common Equity Tier 1. The Tier 1 and the Total Capital ratios also benefited from such an effect, standing at 34.91%.

With reference to the capital requirements applicable to FinecoBank Group, it should be noted that, further to the Supervisory Review and Evaluation Process (SREP), the European Central Bank announced on November 30th, 2023 the following capital requirements applicable to FinecoBank Group starting from January 1st, 2024. These requirements are:

- 8.23% of Common Equity Tier 1 ratio, including the Pillar II Requirement (P2R) equal to 1.13%;
- 10.10% of Tier 1 Ratio, including the P2R equal to 1.50%;
- 12.60% of Total Capital Ratio including the P2R equal to 2.00%.

These requirements include the capital conservation buffer of 2.5% and the countercyclical capital buffer determined with reference to exposures as at December 31st, 2023 of 0.10%.

It should be noted that until December 31st, 2023, the additional capital requirements (P2R) for the Group were as follows: 0.98% in terms of CET1, 1.31% in terms of T1 and 1.75% in terms of Total Capital.

The following is a summary of the capital requirements and reserves for the FinecoBank Group as at December 31st, 2023.

Requirements	CET1	T1	TOTAL CAPITAL
A) Pillar 1 requirements	4.50 %	6.00 %	8.00 %
B) Pillar 2 requirements	0.98 %	1.31 %	1.75 %
C) TSCR (A+B)	**5.48 %**	**7.31 %**	**9.75 %**
D) Combined Buffer requirement, of which:	2.60 %	2.60 %	2.60 %
1. Capital Conservation Buffer (CCB)	2.50 %	2.50 %	2.50 %
2. Institution-specific Countercyclical Capital Buffer (CCyB)	0.10 %	0.10 %	0.10 %
E) Overall Capital Requirement (C+D)	**8.08 %**	**9.91 %**	**12.35 %**

As at December 31st, 2023, Group ratios are compliant with all the above requirements.

As at December 31st, 2023, the Leverage ratio stands at 4.95%, a level well above the applicable regulatory requirement of 3% and up from 4.03% as at December 31st 2022, thanks to the reduction in exposures, and in particular to the reduction in balance sheet assets due to the decrease in customer's direct deposits, and the increase in Tier 1 capital thanks to the portion of the profit for the year included in Common Equity Tier 1.

Furthermore, it should be noted that at the end of the administrative process related to the determination of the Minimum Requirement of Own Funds and Eligible Liabilities (MREL), in December 2023 FinecoBank received from the Bank of Italy and the Single Resolution Board the updated decision on the determination of the MREL, which replaces the previous decision communicated to the public in March 2023. Starting from January 1st, 2024, FinecoBank shall comply, on a consolidated basis, with an MREL TREA (Total Risk Exposure Amount) requirement equal to 18.94% - plus the

Own funds and capital ratios

applicable Combined Buffer Requirement - and MREL LRE (Leverage Ratio Exposure) requirement equal to 5.25%. For the purpose of compliance with the requirement and the computation of other eligible liabilities issued by Fineco, there is no subordination requirement in the issuance of eligible

MREL instruments (e.g. senior unsecured) at the current stage. As at December 31st, 2023, FinecoBank is above the requirements to be met from 1 January 2024.

With respect to the initiatives put in place in 2020, which are still in force, please also note Regulation (EU) 2020/873 ("CRR "Quick-fix") of the EU Parliament and Council published on June 26th, 2020 which updates the Regulation (EU) 575/2013 ("CRR") and the Regulation (EU 876/2019 ("CRR II"), introducing certain adjustments to the prudential regulatory framework in response to the COVID-19 pandemic, allowing the credit institutions to apply specific transitional arrangements with the aim to support institution in their role in financing the real economy in the context of COVID-19 pandemic. In addition, the aforementioned Regulation anticipated the application of some measures contained in CRR II, which are therefore valid until the latter comes into force starting from June 28th, 2021. This Regulation also anticipated the application of some measures contained in CRR II, which are therefore valid until the latter comes into force starting from June 28th, 2021. Among the main measures, still in force, is the postponement until December 31st, 2024 of the transitional arrangements which bring relief on CET1 from the impact of the higher expected credit loss provisions calculated according to the IFRS 9 impairment model, phasing in this impact in CET1 ("Temporary treatment for mitigating impact of the introduction of IFRS 9 on own funds"). Provision is made for banks that had previously decided to make use or not to make use of the transitional arrangements to be able to reverse their decision at any time during the transitional period. The Group decided not to make use of the temporary treatment as at December 31st, 2023.

For further details on the composition of own funds, changes during the period with reference to Risk-weighted Assets and Exposure for leverage purposes, please refer to the information contained in the document "Public disclosure of the FinecoBank Group - Pillar III as at 31 December 2023" published on the Company's website (https://about.finecobank.com).

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

The key figures, the reclassified Balance sheet and Income statement of FinecoBank S.p.A. at individual level in comparison with those of the 2022 financial year and a report on the results achieved are shown below.

Key figures

Operating structure

	Data as at	
	12/31/2023	12/31/2022
No. Employees	1,311	1,279
No. Personal financial advisors	2,962	2,918
No. Financial shops [1]	428	426

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

Main balance sheet figures

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2023	12/31/2022	Amounts	%
Loans receivable with ordinary customers [1]	5,535,383	5,916,089	(380,706)	-6.4%
Total assets	33,251,116	36,208,289	(2,957,173)	-8.2%
Direct deposits [2]	28,441,830	30,569,876	(2,128,046)	-7.0%
Assets under administration [3]	94,114,670	75,987,994	18,126,676	23.9%
Total customers sales (direct and indirect)	122,556,500	106,557,870	15,998,630	15.0%
Shareholders' equity	2,155,387	1,875,711	279,676	14.9%

(1) Loans receivable to ordinary customers refer solely to loans granted to customers (current account overdrafts, credit cards, personal loans, mortgages and unsecured loans);
(2) Direct deposits include overdrawn current accounts and Cash Park deposits;
(3) Assets under administration consist of products placed online or through the sales networks of FinecoBank.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Balance Sheet indicators

	Data as at	
	12/31/2023	12/31/2022
Loans receivable to ordinary customers/Total assets	16.65%	16.34%
Loans and receivables to banks/Total assets	1.06%	1.15%
Financial assets/Total assets	64.37%	68.04%
Direct sales/Total liabilities and Shareholders' equity	85.54%	84.43%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	6.48%	5.18%
Ordinary customer loans/Direct deposits	19.46%	19.35%

Credit quality	Data as at	
	12/31/2023	12/31/2022
Non-performing loans/Loans receivable to ordinary customers	0.07%	0.06%
Bad loans/Loans receivable to ordinary customers	0.02%	0.02%
Coverage ratio[1] - Bad loans	93.07%	92.65%
Coverage ratio[1] - Unlikely to pay	67.96%	68.13%
Coverage ratio[1] - Impaired past-due exposures	56.85%	57.92%
Coverage ratio[1] - Total Non-performing loans	83.54%	86.02%

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

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Condensed Accounts

Balance sheet

(Amounts in € thousand)

ASSETS	Amounts as at 12/31/2023	Amounts as at 12/31/2022	Changes Amounts	Changes %
Cash and cash balances	2,249,361	1,438,427	810,934	56.4%
Financial assets held for trading	14,109	16,926	(2,817)	-16.6%
Loans and receivables to banks	351,272	416,733	(65,461)	-15.7%
Loans and receivables to customers	6,175,952	6,426,087	(250,135)	-3.9%
Financial investments	21,405,097	24,636,590	(3,231,493)	-13.1%
Hedging instruments	707,274	1,424,705	(717,431)	-50.4%
Property, plant and equipment	144,768	144,102	666	0.5%
Goodwill	89,602	89,602	-	n.a.
Other intangible assets	34,465	36,734	(2,269)	-6.2%
Tax assets	49,749	46,467	3,282	7.1%
Tax credits acquired	1,618,030	1,093,255	524,775	48.0%
Other assets	411,437	438,661	(27,224)	-6.2%
Total assets	**33,251,116**	**36,208,289**	**(2,957,173)**	**-8.2%**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at 12/31/2023	Amounts as at 12/31/2022	Changes Amounts	Changes %
Deposits from banks	866,978	1,677,235	(810,257)	-48.3%
Deposits from customers	28,744,000	31,679,857	(2,935,857)	-9.3%
Debt securities in issue	809,264	497,926	311,338	62.5%
Financial liabilities held for trading	6,997	4,575	2,422	52.9%
Hedging instruments	28,712	(3,180)	31,892	n.a.
Tax liabilities	85,560	41,865	43,695	104.4%
Other liabilities	554,218	434,300	119,918	27.6%
Shareholders' equity	2,155,387	1,875,711	279,676	14.9%
- capital and reserves	*1,557,619*	*1,451,605*	*106,014*	7.3%
- revaluation reserves	*(6,730)*	*2,121*	*(8,851)*	n.a.
- net profit	*604,498*	*421,985*	*182,513*	43.3%
Total liabilities and Shareholders' equity	**33,251,116**	**36,208,289**	**(2,957,173)**	**-8.2%**

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Balance sheet – Quarterly data

(Amounts in € thousand)

ASSETS	Amounts as at 12/31/2023	09/30/2023	06/30/2023	03/31/2023	12/31/2022
Cash and cash balances	2,249,361	1,755,329	1,482,349	1,394,252	1,438,427
Financial assets held for trading	14,109	21,354	16,868	15,730	16,926
Loans and receivables to banks	351,272	365,207	385,640	415,934	416,733
Loans and receivables to customers	6,175,952	6,041,168	6,168,419	6,273,273	6,426,087
Financial investments	21,405,097	21,628,865	22,615,698	24,352,759	24,636,590
Hedging instruments	707,274	1,028,424	1,028,822	1,300,265	1,424,705
Property, plant and equipment	144,768	139,308	141,829	140,630	144,102
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	34,465	34,828	35,761	35,835	36,734
Tax assets	49,749	59,995	45,977	46,860	46,467
Tax credits acquired	1,618,030	1,456,572	1,341,774	1,313,546	1,093,255
Other assets	411,437	346,167	380,710	413,082	438,661
Total assets	**33,251,116**	**32,966,819**	**33,733,449**	**35,791,768**	**36,208,289**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at 12/31/2023	09/30/2023	06/30/2023	03/31/2023	12/31/2022
Deposits from banks	866,978	1,385,130	1,299,539	1,605,506	1,677,235
Deposits from customers	28,744,000	28,196,218	29,174,000	30,863,823	31,679,857
Debt securities in issue	809,264	807,409	803,054	798,748	497,926
Financial liabilities held for trading	6,997	7,554	8,538	7,208	4,575
Hedging instruments	28,712	(16,363)	(13,438)	(7,885)	(3,180)
Tax liabilities	85,560	132,508	63,764	100,826	41,865
Other liabilities	554,218	488,639	546,765	426,306	434,300
Shareholders' equity	2,155,387	1,965,724	1,851,227	1,997,236	1,875,711
- capital and reserves	*1,557,619*	*1,568,049*	*1,566,827*	*1,874,407*	*1,451,605*
- revaluation reserves	*(6,730)*	*(939)*	*1,063*	*2,070*	*2,121*
- net profit	*604,498*	*398,614*	*283,337*	*120,759*	*421,985*
Total liabilities and Shareholders' equity	**33,251,116**	**32,966,819**	**33,733,449**	**35,791,768**	**36,208,289**

Cash and cash balances, amounted to € 2,249.4 million up by € 810.9 million compared to December 31st, 2022 (€ 1,438.4 million). The item consisted mainly from the overnight deposit opened at the Bank of Italy, in the total amount of € 1,932 million, in addition to the liquidity deposited with the Bank of Italy net of the stock related to the minimum reserve requirement allocated for the current reporting period, which is represented in the item Loans and receivables to banks, in the amount of € 1.5 million, as well as liquidity deposited on current accounts with credit institutions for the settlement of payment transactions, for the settlement of securities transactions, for the management of the liquidity of UK customers, for a total amount of € 315.8 million.

Loans and receivables to banks, came to € 351.3 million, a reduction of € 65.5 million compared to December 31st, 2022, mainly due to the decrease in the minimum reserve requirement for the current reporting period.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Loans and receivables to customers came to € 6,176 million, showing a decrease of € 250.1 million compared to December 31st, 2022. During 2023, € 180 million in personal loans and € 134 million in mortgages were granted and € 907 million in current account overdrafts were arranged, of which € 894 million was guaranteed, and loans totalling € 292.5 million were granted to Cronos Vita Assicurazioni S.p.A.. Impaired loans net of impairment losses totalled € 4 million (€ 3.5 million as at December 31st, 2022), with a coverage ratio of 83.5%.

Financial investments came to € 21,405.1 million, down € 3,231.5 million compared to December 31st, 2022, mainly due to sales and redemptions of debt securities measured at amortised cost in 2023. The carrying amount of the debt securities issued by the UniCredit S.p.A. amount to € 628.1 million, down compared to € 1,681.3 million recorded as at December 31st, 2022 due to the repayment of securities maturing during 2023. It should be noted that this item includes the net negative valuation of fixed-rate securities specifically hedged against interest rate risk, in the amount of € 641 million (€ 1,416.6 million at 31 December 2022).

Hedges recognised as assets in the balance sheet amounted to € 707.3 million and include the positive fair value valuation of hedging derivatives and the value adjustment of assets subject to generic hedging, represented by fixed-rate mortgages. **Hedges recognised as liabilities** in the balance sheet amounted to € 28.7 million and include the negative fair value measurement of hedging derivatives and the value adjustment of liabilities subject to generic hedging, represented by direct funding from customers. The negative change in fair value of hedging derivative contracts recognised during the year is attributable both to the closure of certain derivative contracts at the same time as the sale of the hedged debt securities and to the reduction in fair value of existing contracts. As a result, the valuation of the hedged items evolved in the opposite direction, recording a positive change. It should be noted that the negative change recorded by securities specifically hedged, is shown in Other Financial investments item, as described above.

Tax credits acquired came to € 1,618 million and include the carrying amount of tax credits purchased under Decree-Law 34/2020 and subsequent amendments, up from € 1,093.3 million outstanding as at December 31, 2022 due to purchases made in the period, which were higher than the amount of offsets made in 2023.

Deposits from banks totaled € 867 million, down € 810.3 million compared to December 31st, 2022, mainly attributable to the reduction in variation margins received for derivative transactions, as a result of the termination of certain hedging derivative contracts, as described above, and the negative change in fair value recorded during the year by hedging derivative contracts.

Deposits from customers came to € 28,744 million, down € 2,935.9 million compared to December 31st, 2022, due to the reduction in direct deposits on current accounts from customers (- € 2,128 million), flowed into products of assets under administration and management, as described above, and the reduction in funding transactions carried out by the Bank's treasury through repurchase agreements on the Repo MTS market (-€ 834.4 million).

Debt securities in issue, amounting to € 809.3 million, exclusively include the Senior Preferred Bonds issued by FinecoBank. During 2023, the Bank successfully completed the placement of its second Senior Preferred bond issue on the market in the amount of € 300 million.

Shareholders' equity amounted to € 2,155.4 million, up € 279.7 million compared to December 31st, 2022, mainly thanks to the profit for 2023, which more than offset the main reductions recognised in the year, due to the distribution of dividends resolved by the Shareholders' Meeting of April 27th, 2023, in the amount of € 299.2 million, and the payment of coupons on AT1 instruments issued by FinecoBank, the amount of which, net of the related taxation, resulted in a reduction in Shareholders' equity of € 21.6 million.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Income Statement

(Amounts in € thousand)

	Year		Changes	
	2023	2022	Amounts	%
Financial margin	686,697	392,415	294,282	75.0%
of which Net interest	686,489	343,011	343,478	100.1%
of which Profits from Treasury	208	49,404	(49,196)	-99.6%
Dividends and other income from equity investments	113,625	96,926	16,699	17.2%
Net fee and commission income	334,236	326,611	7,625	2.3%
Net trading, hedging and fair value income	60,350	90,053	(29,703)	-33.0%
Net other expenses/income	504	1,223	(719)	-58.8%
REVENUES	**1,195,412**	**907,228**	**288,184**	**31.8%**
Staff expenses	(115,310)	(107,056)	(8,254)	7.7%
Other administrative expenses	(299,516)	(265,403)	(34,113)	12.9%
Recovery of expenses	163,603	136,830	26,773	19.6%
Impairment/write-backs on intangible and tangible assets	(26,501)	(26,296)	(205)	0.8%
Operating costs	**(277,724)**	**(261,925)**	**(15,799)**	**6.0%**
OPERATING PROFIT (LOSS)	**917,688**	**645,303**	**272,385**	**42.2%**
Net impairment losses on loans and provisions for guarantees and commitments	(3,594)	(3,096)	(498)	16.1%
NET OPERATING PROFIT (LOSS)	**914,094**	**642,207**	**271,887**	**42.3%**
Other charges and provisions	(63,587)	(57,762)	(5,825)	10.1%
Net income from investments	111	(1,552)	1,663	n.a.
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**850,618**	**582,893**	**267,725**	**45.9%**
Income tax for the year	(246,120)	(160,908)	(85,212)	53.0%
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**604,498**	**421,985**	**182,513**	**43.3%**
PROFIT (LOSS) FOR THE YEAR	**604,498**	**421,985**	**182,513**	**43.3%**

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Income Statement - Quarterly data

(Amounts in € thousand)

	2023			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Financial margin	157,385	170,613	179,759	178,940
of which Net interest	157,385	170,531	179,622	178,951
of which Profits from Treasury	-	82	137	(11)
Dividends and other income from equity investments	-	29,571	(28)	84,082
Net fee and commission income	84,950	83,677	80,941	84,668
Net trading, hedging and fair value income	15,123	14,952	16,268	14,007
Net other expenses/income	465	236	(185)	(12)
REVENUES	**257,923**	**299,049**	**276,755**	**361,685**
Staff expenses	(27,114)	(27,853)	(28,114)	(32,229)
Other administrative expenses	(72,044)	(70,857)	(74,920)	(81,695)
Recovery of expenses	37,625	38,832	43,366	43,780
Impairment/write-backs on intangible and tangible assets	(6,412)	(6,491)	(6,733)	(6,865)
Operating costs	**(67,945)**	**(66,369)**	**(66,401)**	**(77,009)**
OPERATING PROFIT (LOSS)	**189,978**	**232,680**	**210,354**	**284,676**
Net impairment losses on loans and provisions for guarantees and commitments	(643)	(1,438)	91	(1,604)
NET OPERATING PROFIT (LOSS)	**189,335**	**231,242**	**210,445**	**283,072**
Other charges and provisions	(9,269)	(2,737)	(39,974)	(11,607)
Net income from investments	(723)	142	692	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**179,343**	**228,647**	**171,163**	**271,465**
Income tax for the period	(58,584)	(66,069)	(55,886)	(65,581)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**120,759**	**162,578**	**115,277**	**205,884**
PROFIT (LOSS) FOR THE PERIOD	**120,759**	**162,578**	**115,277**	**205,884**

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

(Amounts in € thousand)

	2022			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Financial margin	107,548	69,070	84,258	131,539
of which Net interest	59,434	67,738	84,300	131,539
of which Profits from Treasury	48,114	1,332	(42)	-
Dividends and other income from equity investments	(45)	23,061	(20)	73,930
Net fee and commission income	86,016	80,657	79,870	80,068
Net trading, hedging and fair value income	28,994	26,007	21,238	13,814
Net other expenses/income	525	212	274	212
REVENUES	**223,038**	**199,007**	**185,620**	**299,563**
Staff expenses	(25,844)	(26,271)	(26,400)	(28,541)
Other administrative expenses	(67,349)	(62,919)	(63,619)	(71,516)
Recovery of expenses	35,335	33,728	33,250	34,517
Impairment/write-backs on intangible and tangible assets	(6,524)	(6,469)	(6,449)	(6,854)
Operating costs	**(64,382)**	**(61,931)**	**(63,218)**	**(72,394)**
OPERATING PROFIT (LOSS)	**158,656**	**137,076**	**122,402**	**227,169**
Net impairment losses on loans and provisions for guarantees and commitments	(795)	(424)	(285)	(1,592)
NET OPERATING PROFIT (LOSS)	**157,861**	**136,652**	**122,117**	**225,577**
Other charges and provisions	(10,239)	(2,259)	(41,617)	(3,647)
Net income from investments	(553)	(201)	(325)	(473)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**147,069**	**134,192**	**80,175**	**221,457**
Income tax for the period	(47,895)	(36,340)	(25,683)	(50,990)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**99,174**	**97,852**	**54,492**	**170,467**
PROFIT (LOSS) FOR THE PERIOD	**99,174**	**97,852**	**54,492**	**170,467**

Revenues amounted to € 1.195.4 million, registering a 31.8% increase compared to the € 907.2 million recorded in 2022, mainly thanks to the contribution of Financial margin, Net fee and commission income and Dividends and other income from equity investments partially offset by the reduction in Net trading, hedging and fair value income.

Financial margin amounted to € 686.7 million, up by 75% compared to the previous year, thanks to contribution of **Net interests**, that increased by 100.1% compared to previous year (+ € 343.5 million), mainly thanks to the increase in market interest rates. **Profits from Treasury** on the other hand, decreased by € 49.2 million compared to the year 2022.

Dividends and other income from equity investments only include the dividend received from Fineco AM, amounting to € 113.7 million (€ 97.2 million in 2022), net of the negative effect recognised following the equity valuation of Vorvel SIM S.p.A. in the amount of - € 0.1 million.

Net fee and commission income increased by € 7.6 million compared to the previous year, mainly attributable to the growth in commissions generated by Investing segment (+ € 4.2 million) and by Brokerage segment (+ € 5.4 million).

Net trading, hedging and fair value income amounted to € 60.3 million and show a reduction of € 29.7 million compared to the previous year. This item mainly consists of profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency. The item also includes the ineffectiveness component of hedging transactions, in the amount of - € 7.2 million (+€ 12.2 million in 2022), determined by the application of different curves for the fair value valuation of derivative contracts hedging interest rate risk and hedged items as part of fair value hedge transactions. The result also includes the income components generated by the financial instruments accounted for in "Other financial assets mandatory at fair value", including the preferred shares of Visa INC Class "C" and “A”, whose fair value measurement resulted in a positive result of € 1 million in the 2023 (+ € 0.1 million in 2022).

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Net other expense/ income was positive for € 0.5 million.

Operating costs increased by € 15.8 million compared to the previous year (+ € 8.3 million for "Staff expenses", + € 7.3 million for "Other administrative expenses net of Recovery of expenses" and + € 0.2 million for "Impairment/write-backs on intangible and tangible assets"). The 6% increase in operating costs is mainly determined by expenses closely linked to the growth of the business (assets, volumes, customers and structure), certified by a cost/income ratio of 23.2% (28.9% at December 31st, 2022) confirming the Bank's strong operating leverage and widespread corporate culture of cost management.

Net write-downs of loans and provisions for guarantees and commitments in 2023 amounted to - € 3.6 million (- € 3.1 million in 2022) and benefit from write-backs due to the improvement of the macroeconomic scenario for an amount of € 0.4 million (+ € 1.5 million in 2022), determined on the basis of the evidence resulting from the IFRS9 impairment models. The cost of risk is 5 basis points.

Other charges and provisions amounted to € 63.6 million, up 10.1% on 2022. The annual contributions paid to the Interbank Deposit Guarantee Fund under the Deposit Guarantee Scheme (DGS), totalling € 35 million, reduced by € 5 million compared to 2022 (€ 40 million paid in the previous year) and the ordinary annual contribution paid Single Resolution Fund within the framework of Directive 2014/59/EU, amounting to € 6.6 million, also recorded a reduction of € 1 million compared to 2022 (€ 7.6 million paid in the previous year). These reductions were offset by the provision recognised for obligations arising from the cost rebalancing agreement that the Parent Company signed with the other distributing banks as part of the operation aimed at protecting Eurovita policyholders previously described.

Net income from investments stood at € 0.1 million (- € 1.6 million in 2022) and include write-backs due to the improvement in the macroeconomic scenario for € 0.3 million (write-offs for an amount of € 1.4 million were recognised in 2022).

Profit before tax from continuing operations amounted to € 850.6 million, up 45.9% compared to the previous year (+45.8% excluding the previously mentioned non-recurring items recorded in 2022[20]), mainly thanks to higher Financial margin (+ € 294.3 million), Net fee and commission income (+ € 7.6 million) and Dividends and other income from equity investments (+ € 16.7 million), partially offset by the reduction of Net trading, hedging and fair value income (- € 29.7 million) and by the growth in Operating costs (+ € 15.8 million).

Net profit for the year amounted to € 604.5 million, increasing by 43.3 % compared to € 422 million of the previous year (+43.1% excluding the non-recurring items recorded in 2022, previously mentioned[21]).

[20] Cancellation of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of - € 0.5 million (gross of the tax effect).
[21] Cancellation of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of - € 0.3 million (net of the tax effect).

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Own funds and capital ratios

	Data as at	
	12/31/2023	12/31/2022
Common Equity Tier 1 Capital (€ thousand)	1,112,236	952,411
Total Own Funds (€ thousand)	1,612,236	1,452,411
Total risk-weighted assets (€ thousand)	4,663,040	4,689,014
Ratio - Common Equity Tier 1 Capital	23.85%	20.31%
Ratio - Tier 1 Capital	34.58%	30.98%
Ratio - Total Own Funds	34.58%	30.98%

	Data as at	
	12/31/2023	12/31/2022
Tier 1 Capital (€ thousand)	1,612,236	1,452,411
Exposure for leverage (€ thousand)	33,275,784	36,782,307
Leverage ratio	4.85%	3.95%

The Bank's prudential requirements as at December 31st, 2023 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26th, 2013 and subsequent Directives/Regulations amending their content, in particular Directive (EU) 878/2019 (CRD V), Regulation (EU) 876/2019 (CRR II) and Regulation (EU) 873/2020 of the European Parliament and of the Council (CRR Quick-fix), which transpose into the European Union the standards defined by the Basel Committee on Banking Supervision (Basel III framework), collected and implemented by the Bank of Italy through Circular No. 285 of December 17th, 2013 "Supervisory Provisions for Banks" and subsequent updates.

As at December 31st, 2023 the Own funds amounted to € 1,612.2 million, including the profit for 2023, equal to € 604.5 million, net of dividends to be distributed totaling € 421.6 million, which the Board of Directors will propose for approval at the Shareholders' Meeting called for April 24th, 2024, and foreseeable charges of € 1.8 million, represented by the coupons, net of the related taxation, accrued on the Additional Tier 1 financial instruments issued by FinecoBank.

Risk-Weighted Assets showed a substantially unchanged trend in 2023 compared to the previous year, mainly due to the increase in operational risks, as a result of the update of the Relevant Indicator, with the inclusion of 2023 revenues and the exclusion of 2020 revenues, offset by the reduction in counterparty risk related to securities lending transactions carried out by the Parent Company Treasury and, to a lesser extent, the reduction in lending to customers.

As at December 31st, 2023, the Common Equity Tier 1 ratio stood at 23.85%, up from 20.31% as at December 31st, 2022 thanks to the portion of the profit for the year included in Common Equity Tier 1. The Tier 1 and the Total Capital ratios also benefited from such an effect, standing at 34.57%.

As at December 31st, 2023, the Leverage ratio stands at 4.85%, a level well above the applicable regulatory requirement of 3% and up from 3.95% as at December 31st 2022, thanks to the reduction in exposures, and in particular to the reduction in balance sheet assets due to the decrease in customer's direct deposits, and the increase in Tier 1 capital thanks to the portion of the profit for the year included in Common Equity Tier 1.

Results of the parent and the subsidiary

The subsidiary: Fineco Asset Management DAC

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

The assets under management managed by Fineco AM at December 31st, 2023 amounted to € 30.9 billion (€ 25.9 billion as at December 31st, 2022), in particular:

- € 4.2 billion referred to Core Series (€ 4.3 billion as at December 31st, 2022);
- € 20.6 billion referred to FAM Series (€ 15.5 billion as at December 31st, 2022);
- € 6.1 billion referred to FAM Evolution (€ 6.1 billion as at December 31st, 2022).

It should also be noted that € 20 billion relate to retail classes and € 10.9 billion relating to institutional classes.

As at December 31st, 2023, Fineco AM has a total asset of € 83.2 million. This consists of **Loans and receivables to banks**, represented by two time deposits for an amount of € 25.1 million, by **Cash and Cash balances** for € 17.2 million deposited with credit institutions, and by **Loans and receivables to customers**, exclusively represented operating receivables associated with the provision of services, for an amount of € 37.8 million.

Fineco AM also holds shares in its UCITS Funds for an amount of € 0.9 million, which are recorded under "**Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value**" and **Other assets** for an amount of € 0.2 million relating to prepaid expenses and definitive items not attributable to other items.

Deposits from banks and **Deposits from customers** totalled € 28.8 million, are represented exclusively by operating payables connected with the provision of financial services, relating to the placement and management fees of UCITS to be paid back to the placers, including FinecoBank for € 15.2 million, and to investment advisors, It should be noted that the item **Deposits from customers** also includes the "Lease liabilities" from customers, amounting to € 1.3 million representing the financial debt corresponding to the present value of the payments due in the lease agreements stipulated with credit institutions not paid at the reporting date, as required by IFRS 16.

Other liabilities, equal to € 11 million, are recognised in payables to employees and other personnel and in current payables not related with the provision of financial services.

Shareholders' equity amounted to € 42.3 million and consists of share capital for € 3 million, of retained earnings for € 5.1 million and net income for the year of € 118.3 million, net of dividends paid to the parent company FinecoBank in the last quarter of 2023 for an amount of € 84.1 million.

In 2023 Fineco AM generated **Net commissions** for € 155.7 million (€ 350.1 million in fee and commission income, € 198.7 million in fee and commission expenses and € 4.3 million of net other operating expenses/income related to the asset manager business related to the application of the "Fixed Operating Expenses" model) and the **Net Profit for the year** amounted to € 118.3 million.

Related-party Transactions

At its meeting of February 7th, 2023 and with the prior favourable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors, the Board of Directors, to ensure continued compliance with applicable legal and regulatory provisions on the corporate disclosure of transactions with related parties and persons in conflict of interest, approved the new version of the Global Policy “Procedure for the management of transactions with persons in potential conflict of interest of the FinecoBank Group” (the “Global Policy”).

The Global Policy contains the provisions to observe when managing:

- related party transactions pursuant to Consob Regulation no. 17221 of March 12th, 2010 (as amended);
- transactions with associated persons pursuant to the regulations on "Risk activities and conflicts of interest with associated persons" laid down by Bank of Italy Circular no. 263 of December 27th, 2006 (Title V, Chapter 5: "New regulations for the prudential supervision of banks", as amended);
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 of September 1st, 1993 (the Consolidated Banking Act);
- transactions with other relevant persons in potential conflict of interest as defined by the Bank on a self-regulatory basis, taking into account the applicable legal and regulatory provisions;
- loans granted to Directors (i.e. members of the administrative, management and control bodies) and their related parties, pursuant to art. 88 of the CRD.

Considering the above, during 2023 the Group conducted less material transactions with related parties in Italy and abroad in the course of ordinary business and associated financial activities, carried out under standard conditions, hence under the terms normally applied to transactions with unrelated parties; no other transactions were undertaken with related parties that could significantly affect the Bank's or the Group's asset situation and results, nor were any atypical and/or unusual transactions conducted, including of an intercompany or related party nature. For more details on transactions with related parties, please refer to Part H – Related-party transactions in the notes to the consolidated accounts.

Transactions with Group companies

FinecoBank is Parent Company of Banking Group FinecoBank.

The following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at December 31, 2023 as well as the costs (-) and revenues (+) recorded in 2023 with Fineco AM, which is the sole wholly-owned and consolidated company.

(Amounts in € thousands)

	Assets	Liabilities	Guarantees and commitments	Revenues (+)	Costs (-)
Fineco Asset Management DAC	15,592	30	-	280,758	(30)

It should be noted that the Assets shown in the table mainly refer to current receivables associated with the provision of financial services to be collected by the subsidiary Fineco AM and recorded in “Financial assets at amortized cost" and Revenues includes placement and management fee income paid back by the subsidiary and accounted for by the Bank during 2023, in addition to the dividends recognized by Fineco AM for a total of € 113.7 million.

Transactions with Non-consolidated Subsidiaries

At December 31st, 2023, the company Fineco International Ltd, based in the UK and wholly-owned by FinecoBank S.p.A. was not operational and was excluded from the scope of consolidation. In this regard, it should be noted that on September 12th, 2023 FinecoBank's Board of Directors resolved to close the company, on 13 December 2023 the company's application for "dissolution" was filed with the English Company House and on December 26th, 2023 the request for cancellation was published in the Official Gazette, which will be effective two months from that date, unless there are any objections to the cancellation.

During 2023 FinecoBank waived the receivable claimed against the company, represented by the use of a credit line, increasing, as a result, the value of the equity investment by an amount of €0.2 million, and then recognised an impairment adjustment of the same amount, completely writing off the value of the equity investment. As at December 31st, 2023 there were no transactions with Fineco International Ltd.

Related-party Transactions

Transactions with companies subject to significant influence

The following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at December 31, 2023 as well as the costs (-) and revenues (+) recorded in 2023 with respect to Vorvel SIM S.p.A., the only investment subject to influence and consolidated using the equity method.

(Amounts in € thousands)

	Assets	Liabilities	Guarantees and commitments	Revenues (+)	Costs (-)
Vorvel SIM S.p.A.	-	157	-	-	(623)

The income statement and balance sheet transactions presented above originate from the agreement entered into by the Bank with Vorvel SIM S.p.A. for the trading, on the Vorvel segment, of Certificates issued by Fineco.

Other information

Report on corporate governance and proprietary structures

Pursuant to Article 123-bis, paragraph 3 of Legislative Decree no. 58 of February 24th, 1998, the Report on Corporate Governance and Proprietary Structures is available at the "Governance" section of the FinecoBank website (https://about.finecobank.com).

Remuneration policy and Remuneration report

Pursuant to Art.123-ter of the Legislative Decree no. 58 of February 24th, 1998 and to Art. 84-quater, paragraph 1, of the Issuers' Regulations, the "Remuneration policy and Remuneration report" is available on FinecoBank's website (https://about.finecobank.com).

Research and development

To promote technical solutions in line with the company mission, research and development is focused on developing software that enables the provision of increasingly innovative financial advice and accessibility to financial instruments together with exclusive own-account trading.

More specifically, the main software applications that have been developed over the years are:

- Advice, a computer program through which the Bank enables its personal financial advisors to offer a professional advisory service to customers who want a personalised financial plan;
- Internaliser, a computer program through which the Bank executes customer orders in its own account relating to trading on financial markets as an alternative counterparty to the market;
- Powerdesk and Webtrading, software that allows the Bank to, respectively, offer customers sophisticated and efficient tools for online trading on the main international financial markets and simple solutions to complement the direct banking services.

The activities were split between developing new applications and strengthening/maintaining existing features to meet customer needs increasingly efficiently.

Information on the time limits for convening the ordinary Shareholders' Meeting

Pursuant to Article 2364, paragraph 2, of the Italian Civil Code and Art. 6, paragraph 4, of FinecoBank's Articles of Association, the Annual Accounts will be submitted to the Ordinary Shareholders' Meeting for approval within 120 days from the end of the financial year.

Consolidated Non-Financial declaration pursuant to article 3 and article 4, Legislative Decree 254 of December 30, 2016

The Consolidated Non-Financial declaration of the FinecoBank Group, prepared pursuant to Legislative Decree 254/2016, constitutes a separate report with respect to the Consolidated Financial Statements, as required by the option of Art. 5, paragraph 3, letter b) of Legislative Decree 254/2016, and has published on the FinecoBank website (https://about.finecobank.com).

Country-by-Country Reporting

Country-by-Country Reporting pursuant to art. 89 of Directive 2013/36 / EU of the European Parliament and of the Council (CRD IV), amended by Directive (EU) 2019/878 (so-called CRD V), has published on the FinecoBank website (https://about.finecobank.com).

Information on the derogation from the obligation to publish the information document in the cases provided for in articles 70, paragraph 6, and 71, paragraph 1, of the Issuers Regulation

Pursuant to article 70, paragraph 8, and article 71, paragraph 1-bis, of the Issuers Regulation, FinecoBank S.p.A. has availed itself of the right to derogate from the obligation to publish the information document in the cases provided for in articles 70, paragraph 6, and 71, paragraph 1, of the Issuers Regulation.

Subsequent events and outlook

Subsequent events

Incentive systems

The Board of Directors' of FinecoBank held on January 16th, 2024 – in consideration of the favorable opinion of the Remuneration Committee held on January 12th, 2024 – approved the following incentive systems that will be submitted to the Shareholders' Meeting called for April 24th, 2024:

- 2024 Incentive System for Employees classified as Identified Staff;
- 2024-2026 Long-term Incentive System for Employees;
- 2024 Incentive System for Personal Financial Advisors classified as "Identified Staff".

In addition, the FinecoBank Board of Directors on February 6th, 2024 – in consideration of the favorable opinion of the Remuneration Committee held on February 5th, 2024 – approved the implementation of the following incentive / loyalty systems:

- 2018-2020 Long Term Incentive Plan for employees. In particular, the assignment of n. 114,511 free ordinary shares to the beneficiaries of the third and fourth share tranche of the Plan, granted in 2018, and consequently a free share capital increase for a total amount of € 37,788.63 effective from March 28th, 2024;
- Incentive Systems 2018, 2019, 2020, 2021, 2022 and 2023 for employees classified as "Identified Staff". In particular, it was approved:
  - the assignment of n. 165,150 free ordinary shares to beneficiaries of the last share tranche of the 2018 Incentive System, of the third share tranche of the 2019 Incentive System, of the second and third share tranche of the 2020 Incentive System, of the second share tranche of the 2021 Incentive System and of the first share tranche of the 2022 Incentive System, and consequently a free share capital increase for a total amount of € 54,499.50 effective from March 28th, 2024;
  - the assignment of the first cash tranche related to the 2023 Incentive System, of the second cash tranche related to the 2021 Incentive System, of the second cash tranche related to the 2020 Incentive System and of the last cash tranche related to the 2018 Incentive System;
- 2021-2023 Long-Term Incentive Plan for employees. In particular the assignment of n. 88,131 free ordinary shares to the beneficiaries of the first share tranche of the Plan, granted in 2021, and consequently a free share capital increase for a total amount of € 29,083.23 effective from March 28th, 2024;
- Incentive Systems 2020, 2021, 2022 and 2023 for personal financial advisors classified as "Identified Staff". In particular, it was approved:
  - the assignment of n. 12,781 shares of the third share tranche related to the 2020 Incentive System;
  - the assignment of the second and fourth cash tranche related to the 2020 Incentive Systems;
  - the assignment of n. 19,004 shares of the second share tranche related to the 2021 Incentive System;
  - the assignment of the third cash tranche related to the 2021 Incentive Systems;
  - the assignment of n. 16,480 shares of the first share tranche related to the 2022 Incentive System;
  - the assignment of the first cash tranche related to the 2023 Incentive System;
- Incentive 2018-2020 Long Term Incentive Plan for Financial Advisors classified as "Identified Staff". In particular, it was approved the assignment of the n. 6,194 share of the second share tranche.

Placement Additional Tier1 bond and Tender offer for the Additional Tier1 5.875% Perp NC 3 December 2024

On March 4th, 2024 FinecoBank has successfully completed the placement on the market of Additional Tier1 instruments, intended for institutional investors, for a total amount of € 500 million and a semi-annual coupon equal to 7.5% for the first 5.5 years (with a spread equal to 5.5 years Mid Swap rate interpolated plus 488.9 basis points) compared to an initial guidance of 8%. The final spread is the lowest level in the Italian market since the beginning of 2023 for this type of instrument, thanks to an overall demand that is around 7x the supply and to the quality of the credit.

The placement registered an order volume of above € 3.45 billion, confirming the appreciation shown towards FinecoBank by the market also in the fixed-income segment. Only institutional investors took part in the placement, mainly asset managers (67% of the total) and banks/private banks (17%). The issuance was placed mainly with institutional investors in the United Kingdom (28%), France (26%), Italy (18%), Germany and Austria (7%) and Switzerland (6%).

In detail, the issuance has the following characteristics: the notes are perpetual with call option for the issuer on the fifth year and half and thereafter on a semiannual basis, public placement, intended for trading on the regulated market managed by Euronext Dublin, BB- rating (S&P Global Ratings), fixed rate semi-annual coupon for the first 5.5 years. The notes have been issued under the EMTN programme[22].

[22] EMTN Programme (Euro Medium Term Notes) renewal has been approved by Fineco's Board of Directors on January 16th 2024, and has been signed on February 13th 2024.

Subsequent events and outlook

BNP Paribas and UniCredit acted as Global Coordinator and BNP Paribas, Morgan Stanley & Co. Limited, UBS Europe SE and UniCredit Bank acted as joint bookrunners and joint lead managers.

Contexually FinecoBank announced the intention to proceed to a cash tender offer for the outstanding Additional Tier1 5,875% Perp NC 3 December 2024 bond with a nominal amount of € 300 million and to reserve the right to call the existing € 200 million Additional Tier1 private placement at the first available date, thereby keeping the overall amount of Additional Tier1 instruments eligible for inclusion in its capital unchanged at € 500 million.

FinecoBank has given mandate to BNP Paribas and UniCredit, as dealer managers, for the “any & all” Cash Tender Offer on the outstanding € 300 million Additional Tier1 with a fixed tender price.

On March 11th, 2024 the tender offer for the above mentioned Additional Tier1 notes was concluded. The aggregate nominal amount of the notes validly tendered in the offer amounted to € 168 million. It should be noted that FinecoBank received regulatory approval from the European Central Bank to call the remaining amount of the notes not purchased in the offer at the first available date, on December 3rd, 2024.

Outlook

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

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

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

FinecoBank had a market share by Total Financial Assets (“TFA”)[23] for 2.31% in September 2023 (last available data), with significant potential growth margins.

Considering the typical risks of the sector to which it belongs, a positive operating performance is expected for the financial year 2024, except in the case of the occurrence of further events of an exceptional nature or dependent on variables that are substantially beyond the control of the Directors and Management.

[23] Source Bank of Italy, Bastra return flows.

Proposal for the approval of the accounts and allocation of profit for the year

We submit for your approval the Financial Statements for the year 2023 of the Parent Company FinecoBank S.p.A. and the proposed allocation of the profit for the year 2023, which amounts to € 604,497,541.49.

It should be noted that, pursuant to art. 6, paragraph 1, letter a) of Legislative Decree no. 38/2005, a portion of the year's profits corresponding to the capital gains recognised in the income statement, net of the related tax charge and other than those relating to financial instruments held for trading and to foreign exchange and hedging transactions, which derive from the application of the fair value or equity criteria. Pursuant to art. 6, paragraph 2 of Legislative Decree no. 38/2005, these profits must be recognised in an unavailable reserve. This reserve shall therefore be increased by the amount of € 460,656.46, corresponding to the change in unrealised capital gains recognised in the year 2023.

In addition, it should be noted that pursuant to Article 26 of Decree-Law No. 104 of 10 August 2023, a one-time extraordinary tax was introduced for the year 2023 to be borne by banks, calculated on the amount of the interest margin included in item 30 of the Income statement prepared in accordance with the formats approved by the Bank of Italy relating to the financial year prior to the year in progress on 1 January 2024 that exceeds the same margin by at least 10 per cent in the financial year prior to the year in progress on 1 January 2022. The amount of the extraordinary tax, in any event, may not exceed a portion equal to 0.26 per cent of the total amount of risk exposure on an individual basis, determined in accordance with paragraphs 3 and 4 of Article 92 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013, with reference to the closing date of the financial year prior to the financial year in progress on 1 January 2023. In lieu of the payment provided for in Paragraph 4 of Article 26 of Decree-Law No. 104 of 10 August 2023, Paragraph 5-bis of the same Decree provides that banks may allocate, when approving the financial statements relating to the financial year prior to the one in progress on 1 January 2024, to a non-distributable reserve identified for this purpose an amount not less than two and a half times the tax calculated pursuant to this Article. This reserve meets the conditions set forth in Regulation (EU) No. 575/2013 for its eligibility as an element of primary tier 1 capital. In the event of operating losses or operating profits of an amount less than the aforementioned amount, the reserve shall also be established or supplemented by using in priority the profits of previous financial years starting from the most recent ones and thereafter the other available capital reserves. If the reserve is used for the distribution of profits, the tax referred to in this Article, increased, as from the expiration of the time limit for payment referred to in paragraph 4, by an amount equal, on a yearly basis, to the interest rate on deposits with the European Central Bank, shall be paid within thirty days from the approval of the relevant resolution. For this purpose, the amount of € 30,478,590.00 shall be allocated to a non-distributable reserve.

The Shareholders' Meeting is invited to approve:

- the FinecoBank's Financial Statements for the year 2023;
- the allocation of the profit for the year 2023 of € 604,497,541.49 as follows:
    - to the 610,999,427 ordinary shares with a par value of € 0.33, constituting the share capital including 367,792 shares relating to the capital increase to support the employee incentive system approved by the Board of Directors on February 6th, 2024, a unit dividend of € 0.69 for a total of € 421,589,604.63;
    - € 24,274.27 to the Legal Reserve, corresponding to 0.004% of the profit for the year, having reached the limit of a fifth of the share capital;
    - € 30,478,590.00 to the non-distributable reserve pursuant to Article 26, paragraph 5-bis of Decree-Law No. 104 of 10 August 2023, corresponding to the amount of the extraordinary tax determined pursuant to the aforesaid decree;
    - € 460,656.46 to the Unavailable Reserve pursuant to Article 6, Paragraph 2 of Legislative Decree 38/2005;
    - € 151,944,416.13 to the Extraordinary Reserve.

The payment of the above dividend, in accordance with the law, will take place on May 22nd, 2024, with an "ex-dividend" date of May 20th, 2024. Pursuant to Article 83-terdecies of Legislative Decree No. 58 of February 24th, 1998 ("TUF"), those who are shareholders on the basis of the evidence in the accounts at the end of the accounting day of May 21st, 2024 ("record date") will therefore be entitled to receive the dividend.

The undistributed portion of dividends on treasury shares held by the Bank on the record date will be transferred to the Extraordinary Reserve.

The Board of Directors

Milan, March 12th, 2024

FinecoBank S.p.A.
Chief Executive Officer and General Manager
Alessandro Foti

FinecoBank S.p.A.
Chairman
Marco Mangiagalli

Consolidated balance sheet

(Amounts in € thousand)

Assets	12/31/2023	12/31/2022
10. Cash and cash balances	2,266,550	1,469,713
20. Financial assets at fair value through profit and loss	21,119	22,478
a) financial assets held for trading	14,109	16,926
c) other financial assets mandatorily at fair value	7,010	5,552
30. Financial assets at fair value through other comprehensive income	29,069	26,872
40. Financial assets at amortised cost	27,940,209	31,472,301
a) loans and receivables to banks	2,993,595	4,029,194
b) loans and receivables to customers	24,946,614	27,443,107
50. Hedging derivatives	896,577	1,691,642
60. Changes in fair value of portfolio hedged financial assets (+/-)	(189,303)	(266,938)
70. Equity investments	1,652	1,718
90. Property, plant and equipment	146,497	146,208
100. Intangible assets	124,067	126,389
- goodwill	89,602	89,602
110. Tax assets	49,997	46,577
b) deferred tax assets	49,997	46,577
130. Other assets	2,029,266	1,531,925
Total assets	**33,315,700**	**36,268,885**

Consolidated balance sheet

(Amounts in € thousand)

Liabilities and Shareholders' equity	12/31/2023	12/31/2022
10. Financial liabilities at amortized cost	30,433,831	33,870,808
a) deposits from banks	866,978	1,677,235
b) deposits from customers	28,757,589	31,695,647
c) debt securities in issue	809,264	497,926
20. Financial liabilities held for trading	6,997	4,574
40. Hedging derivatives	59,988	63,752
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	(31,276)	(66,932)
60. Tax liabilities	86,706	42,627
a) current tax liabilities	86,706	42,627
80. Other liabilities	421,234	334,352
90. Provision for employee severance pay	4,378	3,942
100. Provisions for risks and charges:	139,166	105,365
a) commitments and guarantees given	304	74
c) other provisions for risks and charges	138,862	105,291
120. Revaluation reserves	(6,730)	2,121
140. Equity instruments	500,000	500,000
150. Reserves	890,106	778,211
160. Share premium reserve	1,934	1,934
170. Share capital	201,508	201,340
180. Treasury shares (-)	(1,243)	(1,714)
200. Net Profit (Loss) for the year (+/-)	609,101	428,505
Total liabilities and Shareholders' Equity	**33,315,700**	**36,268,885**

Consolidated Income statement

(Amounts in € thousand)

Item		2023	2022
10.	Interest income and similar revenues	778,401	357,272
	of which: interest income calculated using the effective interest method	515,577	344,458
20.	Interest expenses and similar charges	(94,613)	(19,723)
30.	**Net interest margin**	**683,788**	**337,549**
40.	Fee and commission income	940,347	903,823
50.	Fee and commission expenses	(450,731)	(437,515)
60.	**Net fee and commission**	**489,616**	**466,308**
70.	Dividends and similar revenues	226	206
80.	Net income financial assets and liabilities held for trading	66,273	77,966
90.	Fair value adjustment in hedge accounting	(7,151)	12,207
100.	Gains (Losses) on disposal or repurchase of:	208	49,404
	a) financial assets at amortised cost	208	49,095
	b) financial assets at fair value through other comprehensive income	-	309
110.	Net gains (losses) on other financial assets/liabilities at fair value through profit and loss:	1,054	(480)
	b) other financial assets mandatorily at fair value	1,054	(480)
120.	**Operating income**	**1,234,014**	**943,160**
130.	Net impairment/write-backs for credit risk related to:	(3,098)	(5,186)
	a) financial assets at amortised cost	(3,098)	(5,184)
	b) financial assets at fair value through other comprehensive income	-	(2)
140.	Profit/loss from contract changes without cancellation	2	(1)
150.	**Net profit from financial activities**	**1,230,918**	**937,973**
180.	**Net profit from financial and insurance activities**	**1,230,918**	**937,973**
190.	Administrative costs:	(474,801)	(436,679)
	a) payroll costs	(126,867)	(117,294)
	b) other administrative costs	(347,934)	(319,385)
200.	Net provisions for risks and charges	(22,206)	(10,051)
	a) commitments and guarantees issued	(229)	(23)
	b) other net provisions	(21,977)	(10,028)
210.	Impairment on tangible assets	(21,144)	(20,258)
220.	Impairment on intangible assets	(5,995)	(6,607)
230.	Other operating income/charges	165,694	139,717
240.	**Operating costs**	**(358,452)**	**(333,878)**
250.	Profit (Loss) on equity investments	(263)	(276)
280.	Gains and losses on disposals on investments	35	543
290.	**Total profit or loss before tax from continuing operations tax expense related to profit or loss from continuing operations**	**872,238**	**604,362**
300.	Total profit or loss after tax from continuing operations tax expense related to profit or loss from continuing operations	(263,137)	(175,857)
310.	**Total profit or loss after tax continuing**	**609,101**	**428,505**
330.	**Net profit or loss**	**609,101**	**428,505**
350.	**Profit (Loss) for the year attributable to the Parent Company**	**609,101**	**428,505**

	2023	2022
Earnings per share (euro)	1.00	0.70
Diluted earnings per share (euro)	1.00	0.70

Note:

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

Consolidated statement of comprehensive income

(Amounts in € thousand)

Item		Total 2023	Total 2022
10.	Net Profit (Loss) for the year	609,101	428,505
	Other income components net of taxes without reversal to the income statement	**(10,146)**	**12,306**
70.	Defined benefit plans	(10,156)	12,307
90.	Valuation reserves from investments accounted for using the equity method	10	(1)
	Other income components net of taxes with reversal to the income statement	**1,295**	**(4,308)**
150.	Financial assets (no equity securities) measured at fair value with an impact on total profitability	1,303	(4,308)
170.	Valutation reserves from investments accounted for using the equity method	(8)	-
200.	**Total other income components after tax**	**(8,851)**	**7,998**
210.	**Overall profitability (Item 10 + 200)**	**600,250**	**436,503**
230.	**Consolidated comprehensive income attributable to Parent Company**	**600,250**	**436,503**

Statement of changes in consolidated shareholders' equity

Statement of changes in consolidated shareholders' equity at 12/31/2023

(Amounts in € thousand)

	Balance as at 12/31/2022	Change in opening balance	Balance as at 01/01/2023	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and other distributions	Change during the year: Changes in reserves	Shareholders' equity transactions: Issues of new shares	Purchase of own shares	Distributions of extraordinary dividends	Changes in equity instruments	Own share derivatives	Stock options	Changes in ownership	Comprehensive income 2023	Shareholders' equity group as at 12/31/2023	Shareholders' equity minorities as at 12/31/2023
Share capital:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- ordinary shares	201,340	-	201,340	-	-	-	168	-	-	-	-	-	-	-	201,508	-
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Share premium reserve	1,934	-	1,934	-	-	-	-	-	-	-	-	-	-	-	1,934	-
Reserves:	-	-	-													
- from profits	736,780	-	736,780	129,295	-	(21,574)	-	-	-	-	-	(168)	-	-	844,333	-
- others	41,431	-	41,431	-	-	-	-	-	-	-	-	4,342	-	-	45,773	-
Revaluation reserves	2,121	-	2,121	-	-	-	-	-	-	-	-	-	-	(8,851)	(6,730)	-
Equity instruments	500,000	-	500,000	-	-	-	-	-	-	-	-	-	-	-	500,000	-
Treasury shares	(1,714)	-	(1,714)	-	-	-	990	(519)	-	-	-	-	-	-	(1,243)	-
Profit (loss) for the year	428,505	-	428,505	(129,295)	(299,210)	-	-	-	-	-	-	-	-	609,101	609,101	-
Shareholders' Equity Group	1,910,397	-	1,910,397	-	(299,210)	(21,574)	1,158	(519)	-	-	-	4,174	-	600,250	2,194,676	-
Shareholders' Equity Minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The Shareholders' Meeting of April 27th, 2023 approved the distribution of the unit dividend of € 0.49, totalling € 299,209,501.15 as proposed by the Board of Directors on March 14th, 2023.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.
The column "Changes in reserves" includes the coupons paid on equity instruments, net of related taxes, the transaction costs directly attributable to the issue of new ordinary shares during the period, net of related taxes, as well as the portion of dividends not distributed in respect of treasury shares held by the Bank at the record date.

Statement of changes in consolidated shareholders' equity at 12/31/2022

(Amounts in € thousand)

	Balance as at 12/31/2021	Change in opening balance	Balance as at 01/01/2022	Allocation of profit from previous year: Reserves	Allocation of profit from previous year: Dividends and other distributions	Change during the year: Changes in reserves	Shareholders' equity transactions: Issues of new shares	Purchase of own shares	Distributions of extraordinary dividends	Changes in equity instruments	Own share derivatives	Stock options	Changes in ownership	Comprehensive income 2022	Shareholders' equity group as at 12/31/2022	Shareholders' equity minorities as at 12/31/2022
Share capital:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- ordinary shares	201,267	-	201,267	-	-	-	73	-	-	-	-	-	-	-	201,340	-
- other shares	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	1,934	-	1,934	-	-	-	-	-	-	-	-	-	-	-	1,934	-
Reserves:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- from profits	613,810	-	613,810	142,764		(19,721)	-					(73)	-	-	736,780	-
- others	36,392	-	36,392	-	-	-	-	-	-	-	-	5,039	-	-	41,431	-
Revaluation reserves	(5,877)	-	(5,877)	-	-	-	-	-	-	-	-	-	-	7,998	2,121	-
Equity instruments	500,000	-	500,000	-	-	-	-	-	-	-	-	-	-	-	500,000	-
Treasury shares	(1,440)	-	(1,440)	-	-	-	576	(850)	-	-	-	-	-	-	(1,714)	-
Profit (loss) for the year	380,711	-	380,711	(142,764)	(237,947)	-	-	-	-	-	-	-	-	428,505	428,505	-
Shareholders' Equity Group	1,726,797	-	1,726,797	-	(237,947)	(19,721)	649	(850)	-	-	-	4,966	-	436,503	1,910,397	-
Shareholders' Equity Minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The Shareholders' Meeting of 28 April 2022 approved the distribution of the unit dividend of €0.39, as proposed by the Board of Directors on February 9th, 2022.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.
The column "Changes in reserves" includes the coupons paid on equity instruments, net of related taxes, the transaction costs directly attributable to the issue of new ordinary shares during the period, net of related taxes, as well as the portion of dividends not distributed in respect of treasury shares held by the Bank at the record date.

Consolidated cash flow statement

(Amounts in € thousand)

Items	Amount 2023	Amount 2022
A. OPERATING ACTIVITIES		
1. Operations	**829,513**	**596,581**
- profit (loss) for the year (+/-)	609,101	428,505
- gains/losses on financial assets held for trading and on assets designated at fair value through profit and loss (-/+)	(745)	(491)
- gains/losses on hedging operations (+/-)	7,079	9,426
- net write-downs/write-backs due to impairment (+/-)	5,656	7,339
- net write-offs/write-backs on tangible and intangible assets (+/-)	27,139	26,865
- provisions and other incomes/expenses (+/-)	36,961	23,846
- net income/expenses from insurance contracts issued and reinsurance contracts held	-	-
- unpaid duties, taxes and tax credits (+/-)	83,166	2,403
- write-downs/write-backs after tax on discontinued operations (+/-)	-	-
- other adjustments (+/-)	61,156	98,688
2. Liquidity generated/absorbed by financial assets	**3,723,471**	**(2,573,483)**
- financial assets held for trading	1,838	4,009
- financial assets at fair value	-	-
- other assets mandatorly at fair value	(399)	72
- financial assets at fair value through other comprehensive income	-	17,593
- financial assets at amortised cost	3,865,216	(2,056,183)
- other assets	(143,184)	(538,974)
3. Liquidity generated/absorbed by financial liabilities	**(3,415,338)**	**2,245,999**
- financial liabilities at amortised cost	(3,460,678)	2,280,211
- financial liabilities held for trading	3,087	(133)
- financial liabilities designated at fair value	-	-
- other liabilities	42,253	(34,079)
4. Liquidity generated/absorbed from insurance contracts issued and reinsurance contracts held	**-**	**-**
- insurance contracts issued representing liabilities/assets (+/-)	-	-
- reinsurance contracts held representing assets/liabilities (+/-)	-	-
Net cash flows from/used in operating activities	**1,137,646**	**269,097**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**38**	**1,677**
- sales of equity investments	-	-
- dividends received from equity investments	-	-
- sales of tangible assets	38	1,677
- sales of intangible assets	-	-
- sales of subsidiaries and company branches	-	-
2. Liquidity absorbed by	**(15,762)**	**(14,080)**
- purchases of equity investments	(195)	(700)
- purchases of tangible assets	(11,894)	(9,070)
- purchases of intangible assets	(3,673)	(4,310)
- purchases of subsidiaries and company branches	-	-
Net cash flows from/used in investing activities	**(15,724)**	**(12,403)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	640	(201)
- issue/purchase of equity instruments	-	-
- distribution of dividends and other scopes	(321,942)	(258,316)
- sale/purchase of control of third parties	-	-
Net cash flows from/used in financing activities	**(321,302)**	**(258,517)**
NET CASH FLOWS FROM/USED DURING THE YEAR	**800,620**	**(1,823)**

Consolidated cash flow statement

RECONCILIATION

(Amounts in € thousand)

Item	Amount	
	2023	2022
Cash and cash equivalents at the beginning of the year	1,469,752	1,464,216
Net liquidity generated/absorbed during the year	800,620	(1,823)
Cash and cash equivalents: effect of exchange rate variations	(4,122)	7,359
Cash and cash equivalents at the end of the year	2,266,250	1,469,752

Key
(+) generated
(-) used

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

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

Part A - Accounting policies

A.1 General

Section 1 – Statement of Compliance with IFRS

The Consolidated Financial Statements of the FinecoBank Banking Group (represented by the Bank and its subsidiary Fineco Asset Management DAC, hereinafter "FinecoBank Group" or "Group") is prepared, in implementation of Legislative Decree no. 38 of February 28th, 2005, in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission, pursuant to EU Regulation 1606/2002 of July 19th, 2002 and applicable to financial reports for the periods starting on or after January 1st, 2023.

It's an integral part of the Annual Financial Report as required by art. 154-ter, paragraph 1 of the Consolidated Finance Act (TUF, Italian Legislative Decree no. 58 of February 24th, 1998).

In its Circular 262 of December 22, 2005 as amended, Bank of Italy laid down the formats for the consolidated financial statements and Notes to the consolidated accounts of banks and regulated financial companies that are parents of banking groups, which have been used to prepare these Consolidated financial statements. It should be noted that on 17 November 2022, the 8th update of the above-mentioned Circular was published, which incorporates the new international accounting standard IFRS 17 "Insurance Contracts" – which replaces the accounting standard on insurance contracts IFRS 4 as of 1 January 2023 – and the consequent changes introduced in other international accounting standards, including IAS 1 "Presentation of Financial Statements" and IFRS 7 "Financial Instruments: Disclosures". The update, which consists of a complete revision of the Circular, applies from the financial statements closed or ongoing as at 31 December 2023.

Section 2 – Preparation criteria

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

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

The Consolidated financial statements comprise the consolidated Balance Sheet, the consolidated Income Statement, the consolidated Statement of Comprehensive Income, the consolidated Statement of Changes in Shareholders' Equity, the consolidated Cash Flow Statement (compiled using the indirect method), and these Notes to the consolidated accounts, together with the Directors' Report on Operations ("Consolidated Report on Operations") and the Annexes. Any discrepancies between the figures shown in the Consolidated financial statements and the Notes to the consolidated accounts is due to roundings.

The consolidated Balance Sheet and the consolidated Income Statement are compared with the corresponding statements for the previous year.

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

The statement of changes in consolidated shareholders' equity shows the composition of and changes in shareholders' equity during the year of the financial statements and the previous year.

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

The figures in the Consolidated financial statements and the Notes to the consolidated Accounts are provided in thousands of euros, unless otherwise indicated and have been prepared with reference to the instructions on banks' financial statements set out in the Bank of Italy's Circular 262 of December 22nd, 2005, and subsequent updates. In accordance with the Bank of Italy Circular 262/2005, items in the consolidated Balance Sheet, consolidated Income Statement and consolidated Statement of Comprehensive Income for which there is no significant information to be disclosed for the reporting period and the previous year, are not provided. In addition, the tables in the Notes to the Consolidated Accounts that do not have any significant information to be disclosed are not shown either for the reporting period or the previous year.

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

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

Lastly, pursuant to Art. 123-bis par. 3 of Consolidated Finance Act, as noted in the "Other Information" section of the Consolidated Report on Operations, the Report on Corporate Governance and Ownership Structures is available in the "Governance" section of the FinecoBank website.

Section 3 – Consolidation Procedures and Scope

The consolidation criteria and principles adopted in the preparation of the consolidated financial statements as at December 31st, 2023 are set out below.

Scope of consolidation

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

The following was used for full consolidation:

- the draft accounts at December 31st, 2023 of FinecoBank S.p.A.;
- the draft accounts at December 31st, 2023 of Fineco Asset Management DAC ("Fineco AM"), fully consolidated and wholly owned, prepared in accordance with IAS/IFRS where the items have been appropriately reclassified and adjusted for consolidation requirements.

It should be noted that on December 31st, 2023, the company Fineco International Ltd, based in the UK, a wholly-owned subsidiary of FinecoBank S.p.A., was excluded from the scope of consolidation. In this regard, it should be noted that on 12 September 2023 FinecoBank's Board of Directors resolved on its closure, on 13 December 2023 the application for the company's "dissolution" was filed with the English Company House and on 26 December 2023 the request for cancellation was published in the Official Gazette, which will be effective two months from that date, unless any objections to the cancellation are raised.

Preliminary data referring to the accounting date of December 31st, 2023 provided by Vorvel SIM S.p.A., the only equity investment subject to significant influence and included in the scope, were used for consolidation using the equity method.

Changes in the scope of consolidation

There are no changes in the scope of consolidation since December 31st, 2022.

1. Interests in fully-owned subsidiaries

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

Key:
(1) Type of relationship:
1 = majority of voting rights and the ordinary Shareholders' Meeting
(2) Availability of votes in the ordinary Shareholders' Meeting, with a distinction between actual and potential votes.

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

Subsidiaries

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

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

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

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

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

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

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

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

Associates

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

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

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

Part A - Accounting policies

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

As at December 31st, 2023, the only wholly-owned subsidiary, Fineco AM, is 100% owned.

As described above, it should be noted that FinecoBank also holds 100% of Fineco International Ltd, for which on December 26th, 2023 the request for cancellation from the English Company House was published in the Official Gazette, which will be effective two months from that date, unless an objection to the deletion is lodged.

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

No data to report.

3.2 Significant minority interests: accounting data

No data to report.

4. Significant restrictions

No data to report.

5. Other information

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

Consolidation methods

<u>Full consolidation</u>

Investments in subsidiaries are consolidated on a line-by-line basis, which consists of the acquisition of the subsidiary's balance sheet and income statement aggregates "line by line".

After any attribution to third parties, in their own items, of their share of the equity and the economic result (respectively item "190. Minority interests" and item "340. Profit (loss) for the period attributable to minority interests"), the book value of the investment is written off – against the assumption of the related assets and liabilities – against the corresponding portion of shareholders' equity attributable to the parent company (100% in the case of a company wholly owned by the parent company). Differences resulting from this transaction, if positive, are recognized – after any allocation to assets or liabilities of the subsidiary, including intangible assets – as goodwill under Intangible Assets. Any negative differences are recognized in the income statement. Assets and liabilities, off-balance sheet transactions, income and expenses as well as profits and losses between the companies are fully eliminated in accordance with the consolidation method adopted. Dividends distributed by subsidiaries are eliminated from the consolidated profit and loss account with a counter-entry to retained earnings.

<u>Consolidation using the equity method</u>

Investments in associates and joint ventures are consolidated, in accordance with IAS 28, using the equity method, which consists of the initial recognition of the investment at acquisition cost, including initial direct costs associated with the acquisition, and its subsequent value adjustment based on the investor's share of the investee's equity.

At the time of acquisition, the difference between the cost of the investment and the investor's share of the net fair value of the investee's identifiable assets and liabilities must be identified; if the difference is positive, it is recognized as goodwill and included in the carrying amount of the investment; if it is negative, it is recognized as income in determining the investor's share of the associate's profit or loss for the period in which the investment is acquired.

Subsequently, the carrying amount is increased or decreased by the investor's share of the investee's profits or losses recognized after the date of acquisition, recognized in profit or loss in item 250. "Profit (Loss) on equity investments".

This share must be adjusted to take account of:

- the profits and losses resulting from the transactions of the associated company, in proportion to the percentage of the shareholding in that company;
- depreciable assets based on their fair value at the date of acquisition and impairment losses on goodwill and any other non-cash items.

Dividends received are not recognized in the income statement but are treated as a mere equity transaction that reduces the carrying amount of the investment against the cash received.

Part A - Accounting policies

Changes in valuation reserves of associates are disclosed separately in the consolidated statement of comprehensive income.

If the associate prepares its financial statements in foreign currency, the translation differences at the balance sheet date are recognized in a separate currency translation reserve to be reported in the consolidated statement of comprehensive income.

If there is evidence that the value of an investment may have decreased, the recoverable amount of the investment is estimated, taking into account the present value of future cash flows that the investment may generate, including the final disposal value of the investment. If the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement under item 250. “Profit (Loss) on equity investments”. If the reasons for the impairment loss are removed as a result of an event occurring after the impairment was recognised, the related reversals are recognised in the same income statement item.

Section 4 – Subsequent events

No significant events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Consolidated Financial Statements as at December 31st, 2023.

The Consolidated Financial Statements at December 31st, 2023 were approved by the Board of Directors of March 12th, 2024, which authorised their publication also pursuant to IAS10.

Section 5 – Other matters

During 2023, the following accounting standards, amendments and interpretations, approved by the European Commission, become effective for reporting periods beginning on or after January 1st, 2023:

- IFRS 17 – Insurance Contracts (EU Reg. 2021/2036);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (EU Reg. 2022/357);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (EU Reg. 2022/357);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (UE Reg. 2022/1392);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (EU Reg. 2022/1491);
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (EU Reg. 2023/2468).

Where applicable, these accounting standards, amendments and interpretations had no relevant impact on the consolidated financial statements as at December 31st, 2023. With reference to the “Amendments to IAS 12 – Income Taxes: International Tax Reform – Pillar Two Model Rules”, it should be noted that the Republic of Ireland, where the subsidiary Fineco AM has its registered office, will introduce a qualified domestic top-up tax as of 1 January 2024.

In addition, at December 31st, 2023, the following accounting standards had been endorsed and are applicable for annual periods beginning after 2023:

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (EU Reg.2023/2579);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current – Deferral of Effective Date – Non-current Liabilities with Covenants (January 2020, July 2020 and October 2022, respectively) (EU Reg. 2023/2822).

As at December 31st, 2023, the IASB had issued the following standards and accounting interpretations or revisions thereof, the application of which is, however, still subject to the completion of the endorsement process by the competent bodies of the European Union, which is still underway:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (May 2023);
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (August 2023).

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

It should also be noted that on 25 October 2023, ESMA published Public Statement ESMA32-193237008-1793 ‘European common enforcement priorities for 2023 annual financial reports’, the annual public statement in which it set out the common European enforcement priorities for the preparation of the 2023 annual financial reports of issuers admitted to trading on EEA regulated markets (‘European Economic Agreement’). In particular, ESMA lists the following recommendations that issuers should consider, according to their relevance and materiality, when preparing their annual financial reports:

- Climate-related issues. In this context, ESMA draws attention to the following aspects:
    - Consistency between IFRS financial statements and non-financial information, to the extent that the effects of these issues are material;
    - Accounting for emissions trading schemes and renewable energy certificates. Issuers should provide information on the accounting policies used for the recognition, measurement and presentation of emissions trading schemes and renewable energy certificates;
    - Impairment of non-financial assets as a result of measures to prevent or mitigate climate-related risks. Issuers should consider risks arising from climate-related issues when assessing the existence of impairments of non-financial assets;
    - Transparency on the financial impacts and accounting treatment applied to power purchase agreements;
    - Specific considerations for financial institutions, in particular by providing information on their engagement in green financing.
- Macroeconomic context. In this context, ESMA draws attention to the following aspects:
    - Rising interest rates and impact on (re)financing. ESMA notes that the impact of recent interest rate hikes on balance sheets may be pronounced for issuers that are heavily dependent on debt financing. In addition, ESMA recalls the importance of disclosures explaining how changes in the macroeconomic environment affect risk exposures, as interest rate risk arises not only on interest-bearing financial instruments recognised on the balance sheet, but also on some off-balance sheet financial instruments;
    - Liquidity risk. In recalling the quantitative and qualitative disclosure required by IFRS 7, ESMA notes that, in a scenario of volatile markets, liquidity risk may be increased by additional margin calls on derivative contracts, therefore, issuers should provide qualitative and quantitative disclosures of their collateral arrangements to explain how liquidity risk is managed. With regard to the disclosure on risk concentration required by IFRS 7, ESMA also recalls that, in the current environment, financial institutions should assess and provide disclosure on their exposure to risk concentration with respect to both assets (e.g. credit risk) and liabilities (e.g. customer deposits) and how they manage this risk;
    - Hedge accounting. ESMA requires issuers to provide (i) detailed information on the effectiveness of hedging relationships during and at the end of the reporting period and (ii) information on discontinued hedging relationships;
    - Fair Value measurement and disclosure. ESMA notes that in the current macroeconomic environment there may be an increased level of uncertainty in the determination of the fair value of (i) investment properties and (ii) financial instruments measured at amortised cost and expects issuers to provide the disclosures required by IFRS 13. With respect to the disclosure of financial instruments measured at amortised cost, ESMA, in light of the current macroeconomic conditions, urges issuers to be particularly careful, as issuers, especially those having difficulties meeting their financial obligations, may need to sell financial assets to generate additional liquidity.

ESMA also recalls some general aspects that issuers must assess, in particular:

- Insurance Contracts. In the first year of application of the new requirements under IFRS 17 Insurance Contracts, ESMA reiterates its call for transparency in the implementation of this standard;
- Amendments to IAS 12 - Model Rules Second Pillar of International Tax Reform. For periods in which Pillar 2 legislation is (substantially) enacted but not yet effective, issuers should disclose this by providing known or reasonably estimable information to assist users of financial statements in understanding the issuer's exposure to Pillar 2 income taxes at the end of the reporting period;
- Sustainability reporting. As of 1 January 2024, the reporting requirements of the Corporate Sustainability Reporting Directive (CSRD) will become applicable for annual financial reports published in 2025. Although the relevant European Sustainability Reporting Standards (ESRS) are still in the legislative process following their adoption by the European Commission on 31 July 2023, it can generally be expected that issuers affected by the new requirements will likely face a significant learning curve in implementing the new requirements.

To the extent applicable, the aforementioned recommendations have been adopted for the purpose of preparing the Consolidated Financial Statements as at 31 December 2023.

Finally, with reference to the obligations arising from Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 (the "ESEF Regulation" - European Single Electronic Format), ESMA reminds issuers that all numerical data in the consolidated financial statements should be marked using the main element of the taxonomy with the accounting meaning that most closely matches the information to be marked. Issuers should not create additional taxonomy elements when an appropriate element for the purpose already exists; in the rare circumstance where no appropriate element is available, the issuer should create an extension element. ESMA also recalls that the purpose of markup (block tagging) is to make it easier for users to navigate through the notes to the consolidated financial statements and to easily extract relevant information.

Part A - Accounting policies

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

As described in the section "The Russian-Ukrainian conflict" reported in the Consolidated Report on Operations (to which we refer for more details), in 2023 there was no impact on the Group's economic and financial situation, and also from a forward-looking perspective there was no impact in terms of strategic orientation, objectives and business model.

Risks and uncertainties related to the use of estimates

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

In the presentation of the consolidated financial statements at December 31st, 2023, estimates have been used to support the carrying amount of some of the valuation-based items, as required by the accounting standards and regulations described above. These estimates are largely based, as regards assets, on calculations of future recoverability of the values recognised in the accounts and as regards liabilities, on estimates of the probability of using resources to meet the Group's obligations and on the amount of resources necessary to that end, according to the rules laid down in current legislation and standards. They have been made on the assumption of a going concern, on which basis these consolidated financial statements have been prepared, i.e. without contemplating the possibility of the forced sale of the estimated items. The processes adopted support the carrying amounts at December 31st, 2023. For some of the above items, the valuation is particularly complex given the uncertainty of the macroeconomic and market situation, characterised by significant levels of volatility in the financial parameters determining the valuation and continued high indicators of deterioration in credit quality, and, more generally, uncertainty and instability in the banking sector. For other items, the complexity and subjectivity of estimates is influenced by the intricacy of the underlying assumptions, the amount and variability of available information and the uncertainties connected with possible future outcomes of proceedings, disputes and litigation.

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

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

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

- fair value of financial instruments not listed in active markets;
- loans/debt securities and related adjustments and, in general, any other financial assets/liabilities. These include, but are not limited to, the risk of uncertainty in determining the parameters for a significant increase in credit risk, the inclusion of forward-looking factors, including macroeconomic factors, in determining PD and LGD, and the determination of future cash flows from impaired loans (for more details see the specific section "Impairment" set out in Part A - Accounting policies of the notes to the consolidated accounts);
- employee severance pay provision and other employee and personal financial advisor benefits;
- provisions for risks and charges, the quantification of which is estimated with reference to the amount of expenditure required to meet the obligations, taking into account the actual probability of having to use resources;
- the value in use of intangible assets with an indefinite life, represented by goodwill, trademarks and domains;
- deferred tax assets;
- tax liabilities;

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

For the purpose of calculating expected losses, the Group uses specific models that leverage the parameters of Probability of Default ("PD") and Loss Given Default ("LGD") estimated conservatively and to which specific adjustments are made in order to ensure full consistency with the accounting regulations. The expected loss for institutional counterparties is calculated using the risk parameters provided by the external provider Moody's Analytics; for retail counterparties, since internal rating systems are not available, the PD and LGD curves are estimated by product type using models developed internally by the CRO Department (personal loans and mortgages) or proxies (other exposures). In order to implement the provisions of the IFRS 9 accounting standard, the parameters are adjusted through forward-looking Information (FLI), integrated with the development of specific scenarios, elaborated by the external supplier Moody's Analytics. In particular, the FLI component is determined by three macroeconomic scenarios, a baseline scenario, a positive scenario and an adverse scenario. The base scenario is weighted at 40% as it is considered the most probable one; the positive and adverse scenarios, on the other hand, are weighted at 30%, and represent alternative outcomes, respectively better and worse. The forward-looking factors used as at December 31st, 2023 include forward-looking information considering the different outcomes of the geopolitical and

Part A - Accounting policies

economic crisis triggered by the conflict between Russia and Ukraine, as well as the likely social and health conditions arising from possible new variants of COVID 19 infections.

Another key aspect required by the IFRS 9 accounting standard is represented by the need to detect at each reference date whether there has been a significant increase in credit risk (SICR) on each individual credit exposure, which in the FinecoBank Group was implemented through a three-stage Approach. This model envisages a first stage (stage 1) which includes newly granted exposures and exposures which at the reporting date do not show a significant deterioration in credit risk with respect to the initial recognition, a second stage (stage 2) which includes exposures showing a significant deterioration in credit risk since the initial recognition, and a third stage (stage 3), which includes non-performing exposures (NPE). With reference to the institutional counterparties with which the Group carries out credit business, the staging allocation method consist of comparing the rating at the reporting date and that recorded at the date on which the exposure was first recognized in the financial statements. The method, which makes use of the external rating assigned by the Moody's credit agency, is also applied to the securities purchased by the Group as investments. With reference to retail counterparties, in the absence of internal ratings, the Group makes use of the backstops envisaged by accounting rules and further internal evidence. In this context, all exposures showing more than 30 days past due, or for which additional information is available which suggests a deterioration in the creditworthiness of the counterparty, are classified in stage 2. For further details on the models and parameters used to measure IFRS 9 value adjustments, please refer to the information in Part E - Information on risks and related hedging policies - Section 2 - Credit risk management policies of these notes to the consolidated accounts as at December 31st, 2023.

During 2023, the Group did not experience a significant deterioration of the loan portfolio, either on the Group's strategic financial investments or on the loan receivables from ordinary customers. On institutional counterparties issuing financial instruments that the Group has acquired as an investment, no changes in creditworthiness such as to trigger a passage to stage 2 was recorded. Loan receivables from ordinary customers, on the other hand, did not show significant increases in flows to stage 2 or stage 3. In fact, the latter are originated in application of a careful and prudent lending policy and are mainly backed by financial and real estate collateral. In the case of real estate mortgages, the average loan to value is, in fact, equal to approximately 50% and the credit facilities granted provide for the acquisition of guarantees with conservative margins.

With reference to the projections of future cash flows, assumptions and parameters used to assess the recoverability of the goodwill, brands and Fineco' domains recognised in the financial statements, it should be noted that the parameters and information used are significantly influenced by the macroeconomic market framework, which could undergo unforeseeable changes in light of the uncertainties highlighted above. In this regard, it should be noted that as at December 14th, 2023, the Board of Directors approved the procedure adopted to determine the value in use of goodwill, brands and domains (model, assumptions and parameters used). The results, approved by the Board of Directors on February 6th, 2024, confirm the sustainability of the goodwill recorded in the financial statements, in none of the hypothesised scenarios would an impairment loss arise, confirming a value in use significantly higher than the carrying amount. Also the sensitivity analyses carried out show that the impairment test would reach a break-even level assuming changes in the main parameters used in the valuation model that cannot be reasonably assumed at present. For further details on the impairment test and related sensitivity analyses, see Part B - Information on the consolidated balance sheet - Section 10 - Intangible assets of these notes to the consolidated accounts. On the same date, the Board of Directors approved the method for determining the value in use of the investment in Vorvel SIM S.p.A. - model, assumptions and parameters used-, the results of which show a recoverable value higher than the value recorded in the financial statements.

With regard to the property owned for functional use held by FinecoBank, in order to assess whether there are any indications that the assets may be impaired, the Bank, at the time of the closing of the financial statements as at December 31st, 2023, requested an appraisals from independent third party company from which no evidence emerged that would lead to the need for impairment pursuant to IAS 36.

With regard to actuarial gains/losses calculated in accordance with IAS 19R, particularly related to severance pay and FISC for financial advisors, the actuarial assumptions used reflect the current economic outlook.

There is also no uncertainty as to the recoverability of deferred tax assets. The amount of deferred tax assets recognised in the financial statements must be tested to verify that there is a likelihood of future taxable income allowing for their recovery. The test performed at the closing of the financial statements at December 31st, 2023 gave a positive result.

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

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

Going concern declaration

It is considered that there are no uncertainties regarding the Group's ability to continue as a going concern in the foreseeable future, nor there are any uncertainties that would give rise to significant adjustments to book values within the next year. However, it cannot be ruled out that, by their nature, the assumptions reasonably made may not be confirmed in the actual future scenarios in which the Group will operate. In making this assessment, moreover, key regulatory indicators, in terms of point data as of December 31st, 2023, relative buffers against minimum regulatory requirements and their evolution in the foreseeable future were considered.

The Directors have considered these circumstances and consider that it is reasonably certain that the Group will continue to operate successfully in the foreseeable future and, therefore, in accordance with IAS 1, the consolidated financial statements for the year ended December 31st, 2023 have been prepared on a going concern basis.

Contributions to guarantee and resolution funds

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

With regard to the contribution obligations under the above-mentioned directive, the Interbank Deposit Guarantee Fund announced that the total contribution due from the Consortium Members for 2023 was € 1,283,166 thousand (€ 1,406,386 thousand in 2022), broken down as follows:

- € 777,046 thousand as ordinary contributions to the endowment (€ 888,101 thousand in 2022);
- € 471,050 thousand as additional contribution (€ 471,248 thousand in 2022), aimed at gradually replenishing, until 2024, the part of the financial envelope that has been used in total for interventions (Statute, Art. 25),
- € 35,070 thousand as additional contribution (€ 47,037 thousand in 2022).

The Interbank Deposit Guarantee Fund also announced that, in order to reach the target level of 0.8%of protected deposits within the timeframe defined by law, the 2024 contribution will be called up, as an exception, no later than July 2nd, 2024.

The share of each consortium member was calculated based on their respective amount of protected deposits at September 30th, 2023 and risk-adjusted on the basis of the management indicators of the Fund's risk-based model for calculating the contributions, in accordance with Article 28, paragraph 2 of its Articles of Association.

The Group's share for the year 2023, which is only paid by the Parent Company FinecoBank, is recognised under item 190. "Administrative expenses b) other administrative expenses", and totalled € 35,030 thousand (€ 40,008 thousand in 2022), broken down as follows:

- € 21,213 thousand for the ordinary annual contribution (€ 25,264 thousand in 2022);
- € 12,859 thousand for the additional contribution (€ 13,406 thousand in 2022);
- € 957 thousand for the supplementary contribution (€ 1,338 thousand in 2022).

With European Directive 2014/59/EU, the Regulation on the Single Resolution Mechanism ("BRRD Directive" Regulation (EU) No. 806/2014 of the European Parliament and of the Council dated July 15th, 2014) established a framework for the recovery and resolution of crises in credit institutions, by setting up a single resolution committee and resolution fund for banks (Single Resolution Fund or SRF). The Directive entails a compulsory contribution mechanism allowing the collection by December 31st, 2023 of the target level of resources, corresponding to 1% of the covered deposits of all authorised institutions in the European territory. The accumulation period can be extended by a further four years if the cumulative disbursements from the contribution schemes have exceeded 0.5% of protected deposits. If, after the accumulation period, the available funds fall below the target level, the collection of contributions resumes until said level is reinstated. Additionally, having reached the target level for the first time and, in the event that the available funds fall to less than two thirds of the target level, these contributions are set at the level which allows the target level to be reached within six years. The contribution mechanism provides for ordinary annual contributions, with the aim of distributing the costs evenly over time for the contributing banks, and extraordinary additional contributions of up to three times the standard annual amount when the available funds are not sufficient to cover the losses and costs of interventions.

The Group's share for the year 2023, which is only paid by the Parent Company FinecoBank, is recognised under item 190. "Administrative expenses b) other administrative expenses" and amounted to € 6,581 thousand (€ 7,601 thousand in 2022).

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

Part A - Accounting policies

Single electronic reporting format for the preparation of annual financial reports

Directive 2004/109/EC (the “Transparency Directive”) and Delegated Regulation (EU) 2019/815 introduced the requirement for securities issuers listed on regulated markets in the European Union to prepare their annual financial report in the XHTML language, based on the ESMA-approved European Single Electronic Format (ESEF).

XBRL (eXtensible Business Reporting Language) is machine-readable and enables the automated use of large amounts of information. XBRL is well established and used in several jurisdictions and is currently the only appropriate markup language for the information contained in financial statements. The use of the XBRL markup language consists of applying a taxonomy to convert human readable text into machine-readable information. The IFRS taxonomy, made available by the IFRS Foundation, is a consolidated taxonomy developed to markup disclosures in accordance with the IFRS. The use of the IFRS taxonomy facilitates worldwide comparability of markups in financial statements prepared in accordance with the IFRS.

Issuers are required to prepare their annual financial reports in the XHTML language and to "mark up" the IFRS consolidated financial statements contained in their annual financial reports for financial years beginning on or after January 1st, 2021. For the "markups", issuers shall use the XBRL markup language and a taxonomy whose elements are those of the basic taxonomy contained in Delegated Regulation (EU) 2019/815 and subsequent Regulations amending its content. In particular, the taxonomy used for 2023 tagging is that contained in Commission Delegated Regulation (EU) 2022/2553 of September 21st, 2022. If it is not appropriate to use elements of the base taxonomy, issuers shall create the elements of the extension taxonomy.

With reference to the annual financial report for the year ending December 31st, 2023, the following information must be marked up:

- Basic identification details;
- Consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows);
- Notes to the consolidated accounts.

Annex II of the RTS (Regulatory Technical Standards) on ESEF includes a number of elements defined with the “textBlockItemType” which are expected to be used for marking up (following the block tagging approach) larger pieces of information contained in the IFRS consolidated financial statements such as explanatory notes and accounting policies. Those elements are of different granularity. Therefore, preparers have to consider the accounting meaning of a taxonomy element when selecting the appropriate block tag for marking up such disclosure. This is particularly important for cases where there are multiple block tags that can match a given disclosure. ESMA is of the opinion that issuers shall, as a minimum, mark up information contained in the IFRS consolidated financial statements (including headers/titles) with the elements of Annex II. In case of a disclosure corresponding to more than one element of different granularity (with narrower and wider elements), preparers should use each of them and multi tag the information to the extent that corresponds with the underlying accounting meaning of the information. In certain cases, content of tables (i.e. selected columns or rows) presented in issuer’s financial statements may correspond to multiple elements listed in the Annex II Table.

Taking into consideration technical complexity and the fact that tags applied within such tables could not be understandable without layout information. ESMA recommends that the lowest level of granularity for block tagging the IFRS consolidated financial statements be individual tables contained within a single note. Therefore, issuers are not required to apply “textBlockItemType” elements from Annex II on selected rows or columns of such table, and instead shall apply corresponding elements on the entire table.

At its meeting of March 12th, 2024, the Board of Directors of FinecoBank approved the taxonomy to be used for marking up the schedules and the Notes of these 2023 Consolidated Financial Statements, an integral part of FinecoBank's annual financial report, and the XHTML version, included in the ESEF package, of the same annual financial report, which will therefore be published in the XHTML language on the basis of the single electronic communication format ESEF approved by ESMA, on Fineco's website (https://www.finecobank.com), in order to comply with the communication obligations provided for by Directive 2004/109/EC (so-called Transparency Directive). Please note that the Group's consolidated annual financial report includes both the consolidated financial statements and the separate financial statements of the Parent Company FinecoBank. Finally, note that this document "Accounts and Reports 2023” was approved by the Board of Directors of FinecoBank at the same meeting on March 12th 2024.

Other information

The Consolidated financial statements as at December 31th, 2023 have been reviewed, pursuant to Italian Legislative Decree no. 39 of January 27th, 2010 and Regulation (UE) 2014/537, by KPMG S.p.A. appointed as auditor of the Bank’s accounts in implementation of the Shareholders' Meeting resolution of April 28th, 2021.

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

A.2 The main items of the accounts

1 – Financial assets at fair value through profit and loss

a) Financial assets held for trading (HFT)

A financial asset is classified as held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative contract not designated within hedge accounting operations, with a positive fair value incorporated into financial liabilities other than those valued at fair value through profit and loss.

Financial assets held for trading financial are initially recognised, at settlement date with regard to debt and equity securities and disbursement data with regard to loans, at its *fair value*, which is usually equal to the amount paid, excluding transaction costs and income, which are recognised through profit or loss even when directly attributable to the financial assets. Trading book derivatives are recognised at trade date.

After initial recognition these financial assets are measured at their fair value through consolidated profit or loss.

An exception is represented by derivatives settled by delivery of an unlisted equity instrument whose fair value cannot be reliably measured, and which are therefore measured at cost.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (usually called the 'underlying') provided that in case of non-financial variable, this is not specific of one of the parties;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative is separated from financial liabilities other than those measured at fair value through profit or loss and from non-financial instruments, and is recognized as a derivative, if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative;
- the hybrid (combined) instrument is not measured entirely at fair value through profit or loss.

When an embedded derivative is separated, the host contract is accounted for according to its accounting classification.

A gain or loss arising from sale or redemption or a change in the fair value of a HFT financial asset is recognised in consolidated income statement in item 80 "Gains (losses) on financial assets and liabilities held for trading", including financial derivatives relating to a fair value option.

If the fair value of an instrument falls below zero, which may happen with derivative contracts, it is recognised in item 20. "Financial liabilities held for trading" of the liabilities in the consolidated balance sheet.

b) Financial assets designated at fair value

A non-derivative financial asset may be designated at fair value if such designation avoids accounting mismatches deriving from the valuation of assets and associated liabilities according to different valuation criteria.

These assets are accounted for alike "Financial assets held for trading" (see point a) Financial Assets held for trading) with the exception of gains and losses, both realised and unrealised, that are recognised in the consolidated income statement in item 110. "Gains (losses) on financial assets and liabilities at fair value through profit and loss: a) financial assets and liabilities designated at fair value".

At the balance sheet date, no financial assets classified as "Financial assets designated at fair value" were held.

c) Other financial assets mandatorily at fair value

A financial asset, that is not held for trading, is classified as financial asset mandatorily at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortised cost or at fair value through other comprehensive income.

Specifically, the following assets have been classified in this portfolio:

- debt instruments, securities and loans held within a business model whose objective is not the holding of assets for the purpose of collecting contractual cash flows (Held to collect), nor the holding of assets for the purpose of both collecting contractual cash flows and selling financial assets (Held to collect & sell) and which are not a financial asset held for trading;
- debt instruments, securities and loans with cash flows that are not solely payment of principal and interest;
- units in investment funds;
- equity instruments for which the Group does not apply the option granted by the standard of valuing these instruments at fair value through other comprehensive income.

These assets are accounted for alike “Financial assets held for trading” (see point “a) Financial Assets held for trading”) with the exception of gains and losses, both realised and unrealised, that are recognised in the consolidated income statement item 110. "Gains (losses) on financial assets and liabilities at fair value through profit and loss: b) other financial assets mandatorily at fair value".

2 - Financial assets at fair value through comprehensive income

A financial asset is classified among financial assets at fair value through comprehensive income if:

- its business model is held to collect and sell;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This item also includes equity instrument, not held for trading purposes, for which at the date of initial recognition, or in the first time adoption of the principle, the Group exercised the option, granted by the standard, to designate this instruments at fair value with an impact on Statement of comprehensive income.

Financial assets measured at fair value through comprehensive income are initially recognised, at settlement date with regard to debt and equity securities and disbursement data with regard to loans, at its fair value, which is usually equal to the consideration of the transaction, plus transaction costs and income directly attributable to the instrument.

The interest accruing on interest-bearing instruments is recognised on the income statement, in net interest margin, on an accrual basis using the effective interest rate method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

a) purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Delay interest is taken to the consolidated income statement on collection or receipt.

After initial recognition, for debt instruments, gains or losses arising from changes in fair value are recognized in the Consolidated Statement of comprehensive income and shown in item 120. “Revaluation reserves” in consolidated shareholders' equity.

These instruments are the subject to reductions / write backs in accordance with the illustration given in the next relevant section “Impairment”. Gain/losses are recorded in the consolidated income statement item 130. "Impairment losses/write backs on: b) financial assets at fair value through comprehensive income” with contra-entry in the Consolidated Statement of Comprehensive Income and are also shown in item 120. “Revaluation reserves” in consolidated shareholders' equity. The time value interests are recognised in the interest margin.

In the event of disposal, the accumulated profits and losses are recognised in the consolidated income statement in item 100. "Gains (losses) on disposal or repurchase of: b) financial assets at fair value through comprehensive income".

With regard to equity instrument, the profits and losses from changes in fair value are recognised in the Consolidated Statement of Comprehensive Income and shown in item 120. “Revaluation reserves” in consolidated shareholders' equity. In accordance with the provisions of IFRS9, no impairment losses on equity instruments are recognized in the income statement. In the event of disposal, the accumulated profits and losses are recorded in item 150. “Other Reserves” in consolidated shareholders' equity.

3 - Financial assets at amortised cost

A financial asset is classified within the financial assets measured at amortised cost if:

- its business model is held to collect;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

More specifically, this item includes:

- loans to banks and customers in the various technical forms that meet the requirements of the previous paragraph;
- debt securities that meet the requirements of the previous paragraph.

This item also includes current receivables associated with the provision of financial assets and services as defined by the T.U.B. and from the T.U.F. (e.g. current receivables associated with the distribution of financial products). The latter category also includes receivables from product companies and receivables from the personal financial advisor network in respect of commission advances paid. "On demand" deposits, in the technical form of current accounts and deposits, on banks and central banks (with the exception of compulsory reserves) are excluded, and are reported under "Cash and cash balances".

Financial assets at amortised cost are initially recognised, at settlement date with regard to debt securities and disbursement data with regard to loans, at its fair value, which is usually equal to the consideration paid, plus transaction costs and income directly attributable to the instrument.

The interest is recognised on the income statement, in net interest margin, on an accrual basis using the effective interest rate method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition;
- financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Amortised cost method is not used for assets - valued at historical cost - whose short duration makes the effect of applying the effective interest rate criterion negligible, for those without a defined maturity and for revocable loans.

Delay interest is taken to the income statement on collection or receipt.

After initial recognition at fair value, these assets are measured at amortised cost using the effective interest method, which can be adjusted to take account of any write-downs/write-backs resulting from the valuation process in accordance with the illustration given in the next relevant section “Impairment”. Gain/losses are recorded in the consolidated income statement item 130. "Impairment losses/write backs on: a) financial assets at amortised cost”. The time value interest are recognised in the interest margin.

In the event of derecognition, the profits and losses are recognised in the consolidated income statement in item 100. "Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost".

4 - Hedge Accounting

The Group applies the hedge accounting rules set out in IFRS 9, with the exception of fair value hedges of the interest rate exposure of a portfolio of financial assets or liabilities, for which it continues to apply the hedge accounting provisions of IAS 39, as set out in IFRS 9 paragraph 6.1.3.

Hedging transactions are carried out with the aim of reducing the market risks (interest rate, exchange rate, price) to which the hedged positions are exposed. The following types of hedges can be identified:

- hedging of the fair value of a recognised asset or liability or of an identified portion of that asset or liability;
- a hedge of the exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss in future periods;
- hedging a net investment in a foreign company whose assets are managed in a currency other than the euro.

Hedging transactions IFRS 9 - Specific hedges ("Micro Hedge Accounting")

The Group applies the hedge accounting rules set out in IFRS 9 to specific hedging transactions. The Group enters into hedging transactions by entering into derivative contracts, which are initially recognised on the "trade date" based on their fair value.

A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the hedged item is formally documented, including the risk management objectives, the strategy for undertaking the hedge and the methods that will be used to verify its effectiveness.

A hedging relationship is considered effective if all of the following requirements are met:

- there is an economic relationship between the hedged item and the hedging instrument. This implies that the value of the hedging instrument generally evolves in the opposite direction of that of the hedged item as a result of the same risk, which is the hedged risk;
- the effect of credit risk does not prevail over changes in value resulting from the economic relationship;
- the hedge ratio used for hedge accounting purposes is the same as that which the entity actually uses to hedge the amount of the hedged item. This designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would cause the hedge to be ineffective (whether or not recognised) and could result in an accounting result that would be inconsistent with the purpose of hedge accounting.

The effectiveness of the hedging relationship must be tested at the beginning of the relationship and on an ongoing basis, at least at each financial statements or interim reporting date, and in any case whenever there is a significant change in the circumstances affecting the effectiveness requirements. The effectiveness test may also be qualitative and performed only on a prospective basis.

The ineffectiveness of a hedging relationship is measured by the changes in fair value of the hedged instrument and the hedging instrument, comparing the changes in their values. The measurement of the value of the hedged instrument must take into account the time value of money, so it must be measured at net present value. In order to measure changes in the value of the hedged instrument, the Group uses, as a practical expedient, a "hypothetical" derivative with identical terms to those of the instrument (but without including other elements - present in the hedging derivative - which the hedged instrument lacks).

The following may be excluded from the hedging relationship as hedging costs

- the time value of purchased options
- the forward element of forward contracts
- basis spreads in foreign currencies

The excluded component is suspended in equity and amortised.

If the tests do not confirm the effectiveness of the hedge, hedge accounting is discontinued and the hedging derivative contract is reclassified as a trading instrument.

The hedging relationship also ceases in its entirety when it no longer meets the eligibility criteria, e.g:

- the hedging relationship no longer meets the risk management objective on the basis of which it was eligible for hedge accounting;
- the hedging instrument is sold or terminated;
- the economic relationship between the hedged item and the hedging instrument is lost or the effect of credit risk takes precedence over changes in value determined by the economic relationship.

It is not permissible to reclassify, and thus terminate, a hedging relationship that:

- still meets the risk management objective on the basis of which it was eligible for hedge accounting (i.e. the entity still pursues that risk management objective);
- continues to meet all other eligibility criteria (after taking into account any rebalancing of the hedging relationship, if applicable).

Hedging transactions are measured at fair value, in particular:

- in the case of **fair value hedges**, the change in the fair value of the hedging instrument is recognised in the consolidated income statement under item 90. “Fair value adjustments in hedge accounting”, which are attributable to the risk hedged with the derivative instrument, are recognised in the same item of the consolidated income statement as an offsetting entry to the change in the carrying amount of the hedged item. The ineffectiveness of the hedge is represented by the difference between the change in the fair value of the hedging instruments and the change in the fair value of the hedged item. If the hedging relationship ends, for reasons other than the sale of the hedged item, the hedged item returns to be measured in accordance with the accounting policy for the category to which it belongs and the cumulative change in fair value is amortised in the income statement to interest income or expense using the effective interest rate recalculated at the date amortisation begins. In the event that the hedged item is sold or redeemed, the unamortised portion of the fair value is recognised immediately in item 100. "Gains (losses) on disposal or repurchase" of the consolidated income statement. The difference in fair value of the hedging derivative with respect to the last effective measurement date is recognised immediately in the consolidated income statement under item 90. “Fair value adjustments in hedge accounting”;
- in the case of **cash flow hedges**, the hedging derivatives are measured at fair value. The change in the fair value of the hedging instrument that is considered effective is recognised in item 120. “Valuation reserves” of the consolidated shareholders’ equity. The ineffective part of the hedge is recognised in the consolidated income statement under item 90. “Fair value adjustments in hedge accounting”. If the cash flow hedge is no longer considered to be effective or the hedging relationship is terminated, the total amount of gains or losses on the hedging instrument, which has already been recognised under "Revaluation reserves", remains there until the hedged transaction takes place or it is considered that there is no longer any possibility of the transaction taking place. The total fair value changes recognised in item 120. "Revaluation reserves" are disclosed in the consolidated statement of comprehensive income;
- **hedges of investments in foreign companies** whose assets are managed in a currency other than the euro are recognised in a similar way to cash flow hedges. The gain or loss on the hedging instrument relating to the effective portion of the hedge is classified in consolidated equity and recognised in the consolidated income statement when the net investment in the entity is disposed of. Changes in fair value recognised in item 120. “Revaluation reserves”, are also presented in the consolidated statement of comprehensive income, while the ineffective portion is recognised in the consolidated income statement under item 90. “Fair value adjustments in hedge accounting”.

At the reporting date of these consolidated financial statements, the Group has specific hedging transactions in place for the interest rate risk of debt securities.

Hedging transactions IAS 39 - Generic hedging ("Macro Hedge Accounting")

The Group applies the hedge accounting provisions of IAS 39 to fair value hedges of the interest rate exposure of a portfolio of financial assets or liabilities. The Group enters into hedging transactions by entering into derivative contracts, which are initially recognised on the “trade date” at their fair value.

A derivative financial instrument is classified as a hedge if the relationship between the hedging instrument and the hedged item is formally documented, including the risk management objectives, the strategy for undertaking the hedge and the methods that will be used to verify its prospective and retrospective effectiveness. Accordingly, it is necessary to verify, both at the inception of the transaction and throughout its term, that the hedge using the derivative instrument is highly effective in offsetting changes in the fair value or expected cash flows of the hedged item.

Generally, a hedge is considered highly effective if at the inception of the hedge and in subsequent periods it is expected to be highly effective and if its retrospective results (the ratio of changes in value of the hedged item to that of the hedging derivative) are within a defined range (80% - 125%). The hedge is assessed on the basis of a criterion of continuity; it must therefore prospectively remain highly effective for all the reference periods for which it has been designated. The assessment of effectiveness is carried out at each balance sheet or interim reporting date. If the assessment does not confirm the effectiveness of the hedge, hedge accounting is discontinued and the hedging derivative contract is reclassified as a trading instrument.

The hedging relationship also ceases when the derivative expires, is sold, terminated or exercised; the hedged item is sold, expires or is redeemed; it is no longer highly probable that the hedged future transaction will occur.

In the case of **macro-hedging of portfolios of assets/liabilities**, IAS 39 allows the fair value to be hedged against interest rate risk not only by a single financial asset or liability, but also by a monetary amount contained in a number of financial assets and liabilities (or portions thereof), so that a set of derivative contracts can be used to reduce the fair value fluctuations of the hedged items when market interest rates change. Net amounts arising from the mismatch of assets and liabilities cannot be designated as macrohedged. A macro hedge is considered highly effective if, both at inception and during its term, changes in the fair value of the hedged monetary amount are offset by changes in the fair value of the hedging derivatives and if the actual results are within a range of 80% to 125%. The positive or negative balance of changes in the value of assets and liabilities, respectively, subject to macro-hedging measured with reference to the hedged risk is recognised in asset item 60. "Value adjustments of financial assets subject to macro-hedging (+/-)" or liability item 50. "Value adjustments of financial liabilities subject to macro-hedging (+/-)", with an offsetting entry in consolidated income statement item 90. The change in fair value of the hedging instrument is recognised in the same item of the consolidated income statement.

The ineffectiveness of the hedge is represented by the difference between the change in the fair value of the hedging instruments and the change in the fair value of the hedged monetary amount. The ineffectiveness portion of the hedge is nevertheless included in item 90. "Net result from hedging activities" in the consolidated income statement. If the hedging relationship is terminated for reasons other than the sale of the hedged items, the cumulative revaluation/devaluation recognised in asset item 60 or liability item 50 is recognised in the consolidated income statement under interest income or expense over the remaining life of the hedged financial assets or liabilities. In the event that the hedged financial assets or liabilities are sold or repaid, the unamortised portion of the fair value is recognised immediately in consolidated income statement item 100 “Gains and losses on disposal or repurchase”.

At the reporting date of the consolidated financial statements the Group has in place generic interest rate hedges of mortgages to retail customers and fixed rate direct funding from customers.

5 - Equity Investments

This item includes interests held in associates and joint ventures, as well as interests in subsidiaries excluded from the scope of consolidation pursuant to Group policies.

The initial recognition and subsequent valuation criteria for interests governed by IFRS10 Consolidated Financial Statements, IAS27 Separate Financial Statements, IAS28 Investments in associates and joint ventures and IFRS11 Joint Arrangements, are detailed to the applicable extent in Section 3. Consolidation scope and methods of Section A.1 of these Notes to the consolidated accounts, that includes information on valuation and key assumptions made to establish the presence of control, joint control or significant influence in compliance with the provisions of IFRS12 (paragraphs 7-9).

The remaining interests other than subsidiaries, associates and joint ventures, and interests recognised in the consolidated balance sheet in items 120. “Non-current assets and disposal groups classified as held for sale” (see Section 8 - Non-Current assets and disposal groups classified as Held for Sale) are classified as financial assets at fair value through other comprehensive income or financial assets s mandatorily at fair value and treated accordingly (see Section 1 – “Financial assets at fair value through profit and loss: c) other financial assets mandatorily at fair value” and Section 2 – “Financial assets at fair value through other comprehensive income”).

6 – Property, Plant and Equipment (Tangible Assets)

The item includes:

- lands
- buildings
- furniture and fixtures
- electronic machinery and equipments
- plant and other machinery and equipments
- motor vehicles

and is divided between:

- assets used in the business
- assets held as investments
- inventories of property, plant and equipment under IAS 2

This item may also include tangible assets arising from the enforcement of guarantees received.

<u>Assets used in the business and Assets held for investment purposes</u>

Tangible assets used in the business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period.

Property, plant and equipment include rights of use of tangible assets, as defined by IFRS16, and leasehold improvements relating to assets which can be separately identified. They are classified according to the specific sub-items relating to the asset type (e.g. plants). Leasehold improvements are usually borne in order to make leased premises fit for the expected use. Improvements and additional expenses relating to property, plant and equipment identifiable but not separable are recognised in the consolidated balance sheet in item 130. "Other assets".

Tangible assets held for investment purposes are properties covered by IAS 40, i.e. properties held in order to derive rentals and/or a capital gain.

Property, plant and equipment are initially recognised at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

With regard to the property, plant and equipment for the right of use acquired with lease, at the time of the initial registration this asset is evaluated on the basis of the financial flows associated with the leasing contract, corresponding to the present value of future installments due for unpaid leasing amounts on that date: "lease liability", including installments made on or before the effective date and the initial direct costs incurred by the lessee. Installments due for leasing are determined in light of the provisions of the lease agreement and calculated net of the VAT component, where applicable, by virtue of the fact that the obligation to pay this tax arises at the time the invoice is issued by of the lessor and not as of the effective date of the leasing contract, and are discounted using the marginal loan rate of the Group, determined on the basis of the cost of funding for liabilities of a duration and guarantees similar to those implicit in the leasing contracts.

After initial recognition, this asset is measured based on the provisions for property, plant and equipment under IAS 16 or IAS 40 and, therefore, at cost net of amortization and any impairment, at the "redetermined value" or at fair value according to as applicable.

Subsequent costs are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured. Other expenses borne at a later time (e.g. normal maintenance costs) are recognised in the year they are incurred in consolidated profit and loss items:

- 190. “Administrative expenses: b) Other administrative expenses", if they refer to assets used in the business;

or:

- 230. "Other net operating income", if they refer to property held for investment.

After being recognised as an asset, an item of property, plant and equipment is carried at cost less any accumulated depreciation and any cumulative impairment losses.

An item with a finite useful life is subject to straight-line depreciation.

Lands and buildings, if separately quantifiable, are recognised separately, even if acquired together. Lands are not depreciated since they usually have an indefinite useful life, except for rights of uses; buildings, conversely, have a finite useful life and are therefore subject to depreciation.

Residual useful life is usually assessed as follows:

• Buildings	up to 33,3 years
• Office furniture and fittings	up to 9 years
• Electronic machinery and equipments	up to 5 years
• Plants, other machinery and equipments	up to 14 years
• Motor vehicles	up to 4 years

The useful life used to calculate the amortisation of rights of use does not exceed the useful life attributed to the right of use.

The estimate of the useful life of an asset is reviewed at least at each accounting period-end on the basis inter alia of the conditions of use of the asset, of maintenance conditions and expected obsolescence, and, if expectations differ from previous estimates, the relative useful life is recalculated and the depreciation amount for the current and subsequent periods is adjusted accordingly.

In particular, it should be noted that the expenses for improvements capitalized on the main asset, in particular on properties, may result in a significant increase in the useful life of the asset, which may not in any case exceed the useful live below starting from the capitalization date of the improvement.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in the consolidated income statement in item 210. “Net impairment/Write-backs on property, plant and equipment”.

If the value of a previously impaired asset is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there had been no losses recognised on the prior-year impairment.

A tangible asset is de-recognised from the balance sheet (i) on disposal or (ii) when no future economic benefits are expected from its use or sale; and any difference between sale proceeds or recoverable value and carrying value is recognised in the consolidated income statement in item 280. "Gains (losses) on disposal of investments" or 210. “Net impairment/write-backs on property, plant and equipment".

At the date of these consolidated financial statements, the Group did not hold any tangible assets arising from the enforcement of guarantees received.

Inventories of property, plant and equipment under IAS 2

Property, plant and equipment constitute inventories when they are held for sale in the ordinary course of business. These assets are measured at the lower of cost and net realisable value. Any value adjustments resulting from the application of this criterion are recognised under item 210. “Impairment/write-backs on property, plant and equipment" in the income statement.

At the date of these consolidated financial statements, the Group did not have any inventories of property, plant and equipment under IAS 2.

7 - Intangible assets

An intangible asset is an identifiable non-monetary without physical substance, controlled by the Group, which is expected to be used during more than one period and from which future economic benefits are probable.

Intangible assets mainly consist of goodwill, brands and domains, software and costs incurred for the creation of the new Fineco website.

Intangible assets other than goodwill are recognised at purchase cost, i.e. including any cost incurred to bring the asset into use, less accumulated amortisation and any recognised impairment losses.

An intangible asset with a finite life is subject to straight-line amortisation over its estimated useful life.

Residual useful life is usually assessed as follows:

- software up to 3 years;
- other intangible assets up to 5 years.

There are no intangible assets with an indefinite life, except for goodwill, Fineco’ brand and domains.

If there is objective evidence that an asset has been impaired, the carrying amount of the asset is compared with its recoverable value, equal to the greater of its fair value less selling cost and its value in use, i.e. the present value of future cash flows expected to originate from the asset. Any impairment loss is recognised in the consolidated income statement in item 220. “Net impairment/write-backs on intangible assets”.

If the value of a previously impaired intangible asset, other than goodwill is restored, its increased carrying amount cannot exceed the net carrying amount it would have had if there were no losses recognised on the prior-years impairment.

An intangible asset is de-recognised from the consolidated balance sheet (i) on disposal or (ii) when no additional future economic benefits are expected from its use or sale; and any difference between sale proceeds or recoverable value and carrying value is recognised in the consolidated income statement in item 280. "Gains (losses) on disposal of investments" or 220. “Net impairment/write-backs on intangible assets".

Goodwill

In accordance with IFRS3, goodwill is the excess of the cost of a business combination over the interest acquired in the net fair value, at the acquisition date, of the assets and liabilities acquired.

Goodwill arising from the acquisition of subsidiaries and joint ventures (consolidated proportionately) is recognised as an intangible asset; whereas goodwill arising from the acquisition of associates is included in the acquisition cost and, then, shown as an increase in the value of the investments.

Specifically, the goodwill recorded under intangible assets in these consolidated financial statements – corresponding to the goodwill recorded in the Bank's annual financial statements – derives from the acquisitions of merged or acquired companies.

At a subsequent financial reporting date, goodwill is recognised net of any cumulative impairment losses and is not amortised.

Goodwill is tested for impairment annually. Impairment losses on goodwill are recognised in consolidated income statement in item 270. "Impairment of goodwill". In respect of goodwill, no write-backs are allowed.

Goodwill relates to buy-outs of divisions or companies engaged in trading activities or the distribution of financial, banking and insurance products through personal financial advisors. These activities have been fully integrated with the Bank's ordinary operations; as a result, it is not possible to isolate the contribution of each company/business division from the Bank's overall business. This means that to establish the reasonableness of the value of goodwill recognised in the financial statements it is necessary to take account of FinecoBank’s comprehensive income. The cash generating unit (CGU) is the Bank as a whole including the contribution from the subsidiary Fineco AM, an asset management company incorporated under Irish law, thanks a vertically integrated business model.

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

Please see Section 10.3 "Intangible assets - Other information" in Part B of these notes to the consolidated accounts for further information on goodwill and related impairment tests.

8 - Non-current assets classified as held for sale

These categories include individual assets held for disposal (tangible, intangible and financial assets) or groups of assets held for sale, with the associated liabilities, as required by IFRS 5.

Individual assets (or groups of assets held for sale) and relating liabilities are recognised in the consolidated balance sheet in item 120. "Non-current assets and disposal groups held for sale" and 70. "Liabilities included in disposal groups classified as held for sale", respectively, at the lower of their carrying amounts and fair values less costs to sell.

The revaluation reserves relating to Non-current assets held for sale, which are recorded as a contra item to changes in value relevant for this purpose), are reported separately in the statement of consolidated comprehensive income (see Part D – Consolidated comprehensive income).

The net balance of profits (dividends, interest income, etc.) and losses (interest expense, etc.) attributable to groups of assets or liabilities held for sale are recognised in the consolidated income statement in item 320. "Profit (Loss) after tax from discontinued operations". Profits and losses attributable to individual assets held for disposal are recognised in the consolidated income statement under the most appropriate item.

At the date of these consolidated financial statements, the Group does not hold "non-current assets classified as held for sale".

9 - Current and Deferred Tax

Tax assets and liabilities are recognised in the consolidated balance sheet respectively in item 110. "Tax assets" and in liability item 60. "Tax liabilities".

In compliance with the "Balance sheet liability method", current and deferred tax items are:

- current tax assets, i.e. amount of tax paid in excess of income tax due under the current tax regulations;
- current tax liabilities, i.e. tax payables due under the current tax regulations;
- deferred tax assets, i.e. amounts of income tax recoverable in future fiscal years and relating to:
  - deductible temporary differences;
  - the carry-forward of unused tax losses;
  - the carry-forward of unused tax credits;
  - deferred tax liabilities, i.e. the payables for income tax due in future fiscal years in respect of taxable temporary differences.

Current and deferred tax assets and tax liabilities are calculated in accordance with local tax regulations (with reference to each company consolidated on line-by-line basis) and are recognised in profit or loss on an accrual basis and are accounted for as expenses (income) on the same accrual basis as the costs and revenues that gave rise to them.

More specifically, with regard to FinecoBank, for current IRES income tax, a rate of 27.50% has been calculated; for IRAP corporate tax, the rate applied was 5.57%. In this regard, it should be noted that the effects of the reduction in the IRES income tax rate from 27.50% to 24% introduced, with effect from January 1, 2017 effective for tax periods after the period to December 31st, 2016, introduced by the Stability Law for 2016 were "neutralised" for the Bank as a result of the introduction, by the same Law, of an additional 3.5 percentage points for credit institutions effective for the same tax periods.

With regard to the Irish subsidiary Fineco AM, taxes were calculated using a rate of 12.5% (as per tax legislation).

In general, deferred tax assets and liabilities arise when there is a difference between the accounting treatment and the tax treatment of the carrying amount of an asset or liability.

Deferred tax assets and liabilities are recognised applying tax rates that at the balance sheet date are expected to apply in the period when the carrying amount of the asset will be recovered or the liability will be settled on the basis of tax regulations in force and are periodically reviewed in order to reflect any changes in regulations.

Part A - Accounting policies

Furthermore, deferred tax assets are recognised only to the extent that it is probable that sufficient future taxable profit will be generated. In accordance with the provisions of IAS12, the probability that sufficient future taxable profit will be available, against which the deferred tax assets can be utilised, is reviewed periodically. The carrying amount of deferred tax assets should be reduced to the extent that it is not probable that sufficient taxable profit will be available.

Deferred tax liabilities are always recognised.

Current and deferred taxes are recognised in the consolidated income statement in item 300. "Tax expense (income) related to profit or loss from continuing operations", except for tax referred to items that in the same or in another fiscal year are credited or charged directly to equity, such as those relating to valuation gains or losses on financial assets at fair value through other comprehensive income, whose changes in value are recognised, after tax, under the revaluation reserves directly in the consolidated statement of comprehensive income.

Current tax assets are shown in the consolidated balance sheet net of related current tax liabilities, where the following requirements are met:

- there is a right to offset the recognised amounts; and
- there is an intention to settle the asset and liability positions with a single payment on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets are shown in the consolidated balance sheet net of related deferred tax liabilities, where the following requirements are met:

- there is a right to offset the underlying current tax assets with the current tax liabilities; and
- deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities which intend to settle current tax assets and liabilities on a net basis (usually under a tax consolidation agreement).

10 - Provisions for risks and charges

Provisions for risks and charges for commitments and guarantees given

The sub-item of the provisions for risks and charges in question includes the funds for credit risk recognized for commitments to disburse funds and guarantees given which fall within the scope of application of the rules on impairment in accordance with IFRS 9, according to illustrated in the next specific section “Impairment”. The effects of valuation are recognised in item 200. “Net provisions for risks and charges: a) commitments and guarantees given" in the consolidated income statement.

Provisions for retirement payments and similar obligations

Retirement provisions – i.e. provisions for employee benefits paid after leaving employment – are defined as defined contribution plans or defined benefit plans according to the economic nature of the plan.

In particular:

- Defined-benefit plans provide a series of benefits depending on factors such as age, years of service and compensation policies. Under this type of plan actuarial and investment risks are borne by the company.
- Defined-contribution plans are plans under which the company makes fixed contributions. Benefits are the result of the amount of contributions paid and return on contributions invested. The employer bears no actuarial and/or investment risks connected with this type of plan as it has no legal or implicit obligation to make further contributions, should the plan not be sufficient to provide benefit to all employees.

Defined-benefit plans are present-valued by an external actuary using the unit credit projection method.

This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to theoretical total years of service at the time of payment of the benefit.

More specifically, the amount recognised according to IAS 19 Revised, as a net liability/asset in the consolidated balance sheet in item 100. “Provisions for risks and charges: b) Post-retirement benefit obligations” is the present value of the obligation at the balance sheet date, less any pension charges relating to benefits already provided but not yet recognised, less the fair value at the balance sheet date of plan assets other than those due to directly settle the obligations adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. Actuarial gains or losses from the defined-benefit liabilities are recognised as a contra-entry to consolidated equity under item 120. “Revaluation reserves” are reported in the Consolidated statement of comprehensive income.

The discount rate used to discount obligations (whether financed or not) relating to benefits to be provided after retirement varies according to the currency of denomination and country where the liabilities are allocated and is determined on the basis of market yield at the balance sheet date of prime issuers' bonds with an average life in keeping with that of the relevant liability.

At the date of these consolidated financial statements, there were no provisions for retirement payments and similar obligations.

Other provisions

Provisions for risks and charges consist of liabilities recognised when:

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

The amounts recognised as provisions are the best estimate of the expenditure required to settle the present obligation. The risks and uncertainties that inevitably surround the relevant events and circumstances are taken into account in reaching the best estimate of a provision.

In addition to the legal expenses to be borne by the Group in the event of an unfavourable outcome of the dispute, the provision for risks and charges for legal disputes includes the estimated expenses to be paid to the legal advisors and any technical consultants and/or experts assisting the Group in ongoing disputes up to the estimated amount of the expenses that will not be reimbursed by the counterparties.

This estimate, with regard to the fees of the lawyers assisting the Group, has been made in relation to the ongoing litigation, mainly on the basis of the Legal Tariffs set by the applicable regulations.

In addition, where the effect of the time value of money is significant (usually when the expense is expected to materialise more than 18 months after its recognition), the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments.

Provisions are reviewed periodically and adjusted to reflect the current best estimate. If it becomes clear that it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Provisions are used only for expenses for which they were originally recognised. Provisions for the year are recognised in the consolidated income statement in item 200. “Net provisions for risks and charges: b) other net provisions" include increases due to the passage of time; they are also net of any re-attributions.

"Other provisions" also include obligations relating to benefits due to personal financial advisors, specifically supplementary customer portfolio payments and contractual payments, which can be considered defined benefit plans; accordingly, these obligations are calculated by an actuary using the unit credit projection method (see paragraph "Retirement Payments and Similar Obligations"), and payments under non-competition agreements.

In certain cases, provisions for risks and charges (for example related to staff expenses and administrative costs) have been recognised under their own item in the consolidated income statement to better reflect their nature.

11 - Financial liabilities at amortised cost

Financial liabilities valued at an amortised cost include financial instruments (other than trading liabilities and those valued at fair value), representing various forms of third-party funding (including deposits, current accounts, loans, lease liability, current payables related to the provision of financial services as defined by the T.U.B. and T.U.F.).

On initial recognition, at settlement date, financial liabilities at amortised cost are measured at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability; the interest is recognised on the income statement, in net interest margin, on an accrual basis using the effective interest rate method.

After initial recognition, these instruments are measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost include the lease liabilities initially recognized equal to the present value of future installments due for unpaid leasing amounts on that date. Payments due for leasing are discounted using the Group's marginal financing rate, determined on the basis of the cost of funding for liabilities of a duration and guarantees similar to those implicit in the leasing contracts. The lease liability must be restated, after the effective date, if changes are made to the payments due for the lease; the amount of the restatement of the liability for the lease must be recognized as an adjustment to the corresponding asset by right of use.

Hybrid debt instruments (combined) relating to equity instruments, foreign exchange, credit instruments or indexes, are treated as structured instruments. The embedded derivative is separated from the host contract and recognised as a derivative, provided that separation requirements are met, and recognised at fair value. The embedded derivative is entered at fair value, classified under financial assets or liabilities held for trading, and is then valued at fair value, with the relative profits or losses recognised in the consolidated income statement in item 80 "Gains (losses) on financial assets and liabilities held for trading". The difference between the total amount received and the initial fair value of the embedded derivative is attributed to the host contract.

Instruments convertible into treasury shares imply recognition, at the issuing date, of a financial liability and of the equity part, recognized in item 140. “Equity instruments”, whenever the contractual terms provide for physical delivery. The equity component is initially measured at residual value, i.e., the overall value of the instrument less the separately determined value of a financial liability with no conversion clause and the same cash flow. The financial liability is recognised at amortised cost using the effective interest method.

Securities in issue are recognised net of the repurchased amounts; the difference between the book value of the liability and the amount paid to buy it, is recorded in the consolidated income statement in item 100."Gains (losses) on disposal or repurchase of: c) financial liabilities". Subsequent disposal by the issuer is considered as a new issue which doesn’t generate gains or losses.

It should be noted that the Group's debt exposures may include negative pledges and covenants, the content of which is standard according to normal practice. The nature of the commitments undertaken, in line with market practice, and the remote likelihood of default events occurring, allow these clauses to be considered immaterial.

12 - Financial liabilities held for trading

Financial liabilities held for trading include:

- derivatives that are not designated as hedging instruments;
- obligations to deliver financial assets borrowed by a short seller (i.e., an entity that sells financial assets it does not yet own);
- financial liabilities issued with an intention to repurchase them in the near term;
- financial liabilities that are part of a portfolio of financial instruments considered as a unit and for which there is evidence of a recent pattern of trading.

Financial liabilities held for trading, including derivatives, are measured at fair value initially and for the life of the transaction.

A gain or loss arising from sale or redemption or a change in the fair value of a HFT financial asset is recognised in consolidated income statement in item 80. "Gains (losses) on financial assets and liabilities held for trading", including financial derivatives relating to a fair value option.

13 - Financial liabilities designated at fair value

Financial liabilities, like financial assets may also be designated or in the first time adoption of the principle, according to IFRS 9, on initial recognition as measured at fair value, provided that:

- this designation eliminates or considerably reduces the discrepancy that could arise from the application of different methods of measurement of assets and liabilities and related gains or losses;

or

- a group of financial assets, financial liabilities or both are managed and measured at fair value under risk management or investment strategy which is internally documented with the Board of Directors or equivalent body.

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

Financial liabilities in this category, including derivatives, are valued at fair value initially, and during the life of the operation.

Changes in fair value are recognised in consolidated income statement in item 110. "Gains (losses) on financial assets and liabilities at fair value through profit and loss: a) financial assets and liabilities designated at fair value", except for any changes in fair value that derive from changes in the credit rating, which are shown in item 120. “Revaluation reserves” in consolidated shareholders' equity unless that recognition causes a discrepancy that would result from a different valuation of assets and liabilities and related gains and losses, in which case the changes in fair value deriving from changes in credit rating are also recognised on the consolidated income statement.

At the date of these consolidated financial statements, no financial liabilities classified as "Financial liabilities designated at fair value " were held.

14 - Foreign currency transactions

A foreign currency transaction is recognised at the spot exchange rate of the transaction date.

Foreign currency monetary assets and liabilities are translated at the closing rate of the year.

Exchange differences arising from settlement of monetary items at rates different from those of the transaction date and unrealised exchange rate differences on foreign currency assets and liabilities not yet settled, other than assets and liabilities designated as measured at fair value and hedging instruments, are recognised in profit and loss item 80. "Gains and losses on financial assets and liabilities held for trading” in the consolidated income statement.

Non-monetary assets and liabilities recognised at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated at the closing rate.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised through profit or loss, any exchange component of that gain or loss is recognised through profit or loss.

All exchange differences recognised on revaluation reserves in consolidated shareholders' equity are also reported in the Consolidated Statement of Comprehensive Income.

15 - Insurance assets and liabilities

IFRS 17 defines insurance contracts as those agreements based on which a party (the insurer) accepts a significant insurance risk from a third party (the insured), agreeing to pay the latter in the event of damages arising from a specific future uncertain event.

These policies are recognised briefly as follows:

- item 160. "Insurance service result" of the consolidated income statement, of:
    - *insurance revenues arising from insurance contracts issued*, reflecting the share of the consideration received by the policyholder for services provided during the financial year;
    - *insurance service expenses from insurance contracts issued*, which reflect the expenses related to the insurance contracts issued;
    - *insurance revenue from reinsurance*, which includes the amount recovered from reinsurers;

    - *insurance service expenses from reinsurance*, which includes commissions/other expenses related to reinsurance;
- item 170. "Insurance finance income and expenses" from the consolidated income statement, of net finance costs/revenues relating to insurance contracts issued and reinsurance cessions, showing the balance, positive or negative, of changes in the balance sheet value of insurance contracts issued and reinsurance cessions associated with the effects and changes in the time value of money, and with the effects and changes in the financial risks associated with the cash flows arising from such transactions;
- item 110. "Insurance liabilities" of liabilities in the Consolidated financial statement, of insurance contracts issued that constitute liabilities, or insurance contracts, including reinsurance contracts, issued and investment contracts with discretionary participation features, and reinsurance cessions that constitute liabilities;
- item 80. "Insurance assets for re-insurers" of assets in the Consolidated financial statement, of insurance contracts issued that constitute liabilities, or insurance contracts, including reinsurance contracts, issued and investment contracts with discretionary participation features, and reinsurance cessions that constitute assets.

At the date of these consolidated financial statements, no insurance assets and liabilities were held.

16 - Other information

Business Combinations

A business combination is a transaction through which an entity obtains control of a company or of a business segment, resulting in the combination of separate business activities in a single entity required to prepare financial statements.

A business combination may result in a Parent-subsidiary relationship in which the acquirer is the Parent and the acquiree a subsidiary of the acquirer. A business combination may involve the purchase of the net assets of another entity, in which case goodwill can arise, or the purchase of the equity of the other entity (mergers).

IFRS 3 requires that all business combinations shall be accounted for by applying the purchase method, that involves the following steps:

- identifying an acquirer;
- measuring the cost of the business combination;

and

- allocating, at the acquisition date, the cost of the business combination to the assets acquired and liabilities and contingent liabilities assumed.

In particular, the cost of a business combination is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, in exchange for control of the acquiree.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree. When this is achieved through a single exchange transaction, the date of exchange coincides with the acquisition date.

A business combination may involve more than one exchange transaction; nevertheless, the cost of the business combination remains equal to the fair value of the total shareholding acquired. This involves the revaluation at fair value - and the recognition of the effects in the Income Statement - of the equity investments previously held in the acquired entity.

The cost of a business combination is allocated by recognising the assets, the liabilities and the identifiable contingent liabilities of the acquired company at their acquisition-date fair value. Exceptions to this principle are deferred income tax assets and liabilities, employee benefits, indemnification assets, reacquired rights, non-current assets held for sale, and share-based payment transactions that are subject to review in accordance with the principle applicable to them.

The positive difference between the cost of the business combination and the acquirer's interest at fair value, net of the identifiable assets, liabilities and contingent liabilities, must be accounted for as goodwill.

After initial recognition, goodwill is tested for impairment at least annually.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall reassess the fair values and immediately recognise any excess remaining after that reassessment in profit or loss. If the acquisition concerns a percentage less than 100% of the assets of the acquired company, minorities are recognised.

At the acquisition date, minorities are valued:

- at fair value, or
- as a share of minority interests in the assets, liabilities and potential liabilities that can be identified for the company acquired.

Part A - Accounting policies

Purchased or originated Credit Impaired - POCI

When on initial recognition an exposure, presented in the Consolidated financial statement in item 30. “Financial assets at fair value through comprehensive income” or 40. “Financial assets at amortised cost”, is non-performing, it is qualified as “Purchased Originated Credit Impaired - POCI”.

The amortised cost and the interest income generated by these assets are calculated by considering, in the estimate of future cash flows, the expected credit losses over the entire residual duration of the asset. This expected credit loss is subject to periodic review thus determining the recognition of impairment or write - backs.

The disclosure of impaired financial assets acquired or originated in the notes to the consolidated accounts is excluded from the credit risk stage breakdown and recognised separately.

At the date of these consolidated financial statements, no “Purchased or Originated Credit Impaired – POCI” were held.

Treasury Shares

Changes in treasury shares are reported as a direct contra item to consolidated shareholders' equity, i.e. as a reduction to the latter in the amount of any purchases, and as an increase in the amount of any sales proceeds. This entails that, if treasury shares are subsequently sold, the difference between the sale price and the related post-tax purchase cost is recognised entirely as a contra item to consolidated shareholders' equity.

Employee Benefits

Employee benefits are defined as all types of remuneration provided by the company in exchange for the work performed by employees and are divided into

- short-term benefits (other than termination benefits and equity compensation benefits) that are expected to be settled in full within twelve months after the end of the period in which the employees render the service and recognised in full in the income statement when they become vested (for example, wages, salaries and "extraordinary" benefits fall into this category)
- post-employment benefits payable after the termination of employment that obligate the enterprise to make future payments to employees. These include termination benefits and pension funds which, in turn, are divided into defined contribution plans and defined benefit plans or company pension funds;
- termination benefits, i.e. those payments that the company pays to employees as a counterpart to the termination of employment, following the company's decision to terminate the employment relationship before the normal retirement date;
- long-term benefits, other than the above, that are not expected to be settled in full within twelve months after the end of the period in which the employees rendered their services.

Employee benefits are recognised in the consolidated income statement under item 190. "Administrative expenses a) staff expenses" and are normally recognised in the consolidated balance sheet under item 80. "Other liabilities" based on the valuation at the balance sheet date of the commitments undertaken, with the exception of benefits for which the maturity and/or amount are uncertain, which are normally recognised in the consolidated balance sheet under item 100. "Provisions for risks and charges", and of termination benefits, which are recognised in the consolidated balance sheet under item 90. "Provisions for employee severance pay".

Cash and cash balances

Cash and cash balances include cash and all on-demand deposits, in the form of current accounts and deposits, on banks and central banks (with the exception of the reserve requirement). In the profit and loss account, net credit risk adjustments/write-backs relating to the above loans to banks and central banks on demand are recognised in item 130. “Impairment losses/writebacks”.

Offsetting financial assets and financial liabilities

The accounting offsetting of assets and liabilities items has been performed according to IAS 32, assessing the fulfilment of the following requirements:

- current legally enforceable right to set off the recognised amounts;
- intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accordance with IFRS 7, further information has been included in the table of these Notes to the consolidated accounts, in Part B - Other information.

Those tables show the following in particular:

- the carrying amounts, before and after the accounting offsetting effects, related to the financial assets and liabilities that meet the criteria for applying those effects;
- the amount of the exposures that do not meet the above-mentioned criteria, but are included in master netting agreements, or similar agreements, that create the right to set-off only under specific circumstances (e.g., default events);
- the amount of the related collateral.

Contributions to guarantee and resolution funds

The accounting treatment applicable to contributions to resolution funds has been regulated by the Bank of Italy in a Communication of 20 January 2016 "Contributions to resolution funds: treatment in financial statements and in supervisory reporting" and in a Communication of January 25th, 2017 "Additional contributions to the National Resolution Fund: treatment in financial statements and in supervisory reporting". The application of IFRS to contributions to guarantee funds ("Deposit Guarantee Schemes") were the subject of an ESMA Opinion "Application of the IFRS requirements in relation to the recognition of contributions to Deposit Guarantee Schemes in IFRS accounts" (2015/ESMA/1462 of 25 September 2015).

For the purposes of treatment in the financial statements, reference should be made to IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC Interpretation 21 “Levies”. The latter deals with the accounting for a liability relating to the payment of a tax in the event that the liability falls within the scope of IAS 37. According to IFRIC21, a levy represents a use of resources embodying economic benefits imposed by governments on entities in accordance with legislation'. Both 'ordinary' and 'extraordinary' levy obligations arise from legislation and, consequently, are covered by the notion of “levies” in IFRIC 21. IAS 37 and IFRIC21 require that a liability must be recognised when a binding event occurs that creates a present obligation. Since the decree does not provide for contributions to be reduced or returned to intermediaries in whole or in part, the liability associated with the related contributions should be recognised in full each time the binding event occurs. Since neither an intangible asset within the meaning of IAS 38 nor a prepayment asset can be recognised as a balancing entry to the liability, it follows that contributions must be recognised in profit or loss. Since these contributions are treated as taxes, they are recognised in the consolidated income statement under item 190. "Administrative expenses b) other administrative expenses", which includes, inter alia, indirect taxes and taxes (paid and unpaid) for the period.

Government grants

Government grants take the form of transfers of resources to the corporation provided that the corporation has complied, or is committed to comply, with certain conditions relating to its operating activities. Excluded are those forms of public assistance with which a value cannot reasonably be associated and transactions with public entities that cannot be distinguished from the company's normal business activities.

Government grants can be divided into

- capital grants, for which it is a precondition that the entity purchases, constructs or otherwise acquires fixed assets;
- operating grants, other than capital grants.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs that the grants are intended to compensate and only when there is reasonable assurance that:

- the entity will comply with the terms and conditions; and
- the grants will be received.

The Group recognises government capital grants in the consolidated balance sheet as deferred income in item 80. "Other liabilities" and recognises the portion attributable to the period in the consolidated income statement in item 230 “Other net operating income”.

Operating grants are presented in the consolidated income statement in item 230. "Other net operating income" or are deducted from the related cost if such an offset more appropriately reflects the substance of the transaction.

Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

The effective interest method is a method of allocating the interest income or interest expense over the life of a financial asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees and basis points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions forming an integral part of the effective interest rate include loan drawdown fees or underwriting fees relating to a financial asset not designated at fair value, e.g., fees received as compensation for the assessment of the issuer's or borrower's financial situation, for valuation and registration of security, and generally for the completion of the transaction (management fees).

For securities issued, amortised cost includes bond placement commissions paid to third parties, quotas paid to stock exchanges, fees paid to the independent auditors for their work on each individual issue and, more generally, costs incurred to complete the transaction.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Tax credits related to the “Cura Italia” and “Rilancio” Law Decrees

Decree-Laws no. 18/2020 (the so-called “Cura Italia”) and no. 34/2020 (the so-called “Rilancio”)[24] introduced into the Italian legal system tax incentive measures connected with both investment expenditure (e.g., eco and seismic bonus) and current expenditure (e.g., rents for premises not for residential use), which are commensurate with a percentage of the expenditure incurred and apply to households or businesses (in some cases reaching as much as 110%). These incentives are granted in the form of tax credits or tax deductions (optionally convertible into tax credits). For the eco and seismic bonus, as well as for the other incentives for building works, it is possible to benefit from the incentive also through a discount on the amount due to the supplier, who will receive a tax credit. The beneficiaries of these credits can use them as direct compensation for taxes and contributions or transfer them to third parties (in whole or in part). Potential purchasers may use these credits according to the same rules as the original beneficiary, or may in turn sell them (in whole or in part) to third parties. None of the credits in question can be reimbursed directly by the State, since they can be used for offsetting purposes without the possibility of carrying forward or requesting reimbursement of the portion not offset in the year of reference for reasons of inability to pay.

The accounting for tax credits acquired from a third party (the transferee of the tax credit) is not subject to a specific international accounting standard. IAS 8 requires that, in cases where there is a situation that is not explicitly covered by an IAS/IFRS accounting standard, management should define an appropriate accounting policy to ensure relevant and reliable disclosure of such transactions.

To this end, the Group, taking into consideration the indications expressed by the Authorities[25], has adopted an accounting policy that refers to the accounting rules provided for by IFRS 9, considering that the tax credits in question are, in substance, similar to financial assets. The tax credit is initially recognised at its fair value, which corresponds to the transaction price, including the initial costs directly attributable to the transaction, and is subsequently measured using an accounting model based on IFRS 9 corresponding to a "Held To Collect" business model, which provides for measurement at amortised cost, as this is considered more suitable for providing relevant and reliable information, considering that FinecoBank's current intentions are to obtain a return over the entire duration of the transaction. The effective interest rate is calculated by estimating the expected cash flows, taking into account all the terms related to the tax credit, including the expected offsets and the fact that the unused tax credit in each offsetting period will be lost.

At each reporting period, the income for the period is recognised in the income statement, amortising according to a financial logic the difference between the nominal value of the tax credit acquired and the amount recognised to the customer plus the initial direct costs related to the file.

When revising the estimates of expected cash flows, the Group recalculates the gross carrying amount of the tax credit as the present value of the new cash flows discounted at the original effective interest rate, as required by paragraph B5.4.6 of IFRS 9. Any prepayments with respect to the originally estimated offsets will generate reversals, while any deferrals will generate adjustments, which will be recognised in profit or loss.

The tax credit is not subject to impairment according to the rules defined by IFRS 9, as the transaction does not expose the Group to credit risk.

As specified by the Joint Paper of the Authorities, taking into account that purchased tax credits do not represent, according to International Accounting Standards, tax assets, government grants, intangible assets or financial assets, the most appropriate classification, for the purposes of presentation in the financial statements, is the residual classification under balance sheet item 130. "Other assets", while income determined using the effective interest rate is recognised under item 10. "Interest income and similar revenues". Gains/losses arising from the revision of estimates of expected cash flows are recognised in the same item, with the exception of those arising from the non-utilisation of purchased tax credits, which are recognised in item 230. "Other operating income/expenses".

In the event of a sale to a third party, the difference between the price received and the residual amortised cost at the date of sale will be recognised in item 100. “Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost”.

[24] Converted into law, with amendments, respectively by Law no. 27 of April 24th, 2020 and Law no. 77 of July 17th, 2020.

[25] On January 5th, 2021, the Bank of Italy, Consob and IVASS published Document No. 9 of the Coordination Table on the application of IAS/IFRS "Accounting treatment of tax credits related to the "Cura Italia" and "Rilancio" Decree-Laws acquired following disposal by direct beneficiaries or previous purchasers".

Classification of financial assets

The standard for the classification and measurement of financial assets provided for by IFRS 9 is based on the “business model” and the financial instrument’s contractual cash flows (SPPI criterion - Solely Payments of Principal and Interests).

Based on the entity’s business model for managing financial instruments, the assets may be classified as:

- “held to collect” contractual cash flows (“HTC”), measured at amortised cost and subject to impairment based on expected losses;
- “held to collect cash flows and for sale” (“HTCS”), measured at fair value through comprehensive income, in an equity reserve, and subject to impairment on the basis of expected losses;
- “held as part of other business models”, e.g. held for trading, measured at fair value through profit and loss.

It is also possible upon initial recognition to:

- irrevocably designate a financial asset as measured at fair value through profit or loss if this eliminates or significantly reduces a mismatch (“accounting mismatch”) that would otherwise arise from a different measurement of assets or liabilities or from the recognition of gains and losses on different bases;
- irrevocably designate particular investments in equity instruments, which would otherwise be measured at fair value through profit or loss, as measured at fair value through other comprehensive income items. Upon disposal, the fair value changes recognised in a specific shareholders' equity reserve are not transferred to profit or loss, but to another shareholders' equity reserve.

Business model

With regard to the business model, IFRS 9 identifies three types of cases in relation to the manner in which cash flows are managed and sales of financial assets:

- Held to Collect (HTC): whose objective is to hold assets in order to collect contractual cash flows are managed to realize cash flows by collecting contractual payments over the life of the instrument. The inclusion of a portfolio of financial assets in this business model does not necessarily mean that it is impossible to sell the instruments even if it is necessary to consider the frequency, the value and the timing of sales, the reasons for sales and expectations regarding to future sales;
- Held to Collect and Sell (HTCS): whose objective is achieved by both collecting contractual cash flows and selling financial assets. Both activities (collection of contractual flows and sales) are essential for achieving the business model objective. Therefore, sales are more frequent and significant than an HTC business model and are an integral part of the strategies pursued;
- Other business models: which include both financial assets held for trading purposes and financial assets managed with a business model not attributable to previous business models.

The Group’s Business Model is determined by Key management personnel at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The entity’s business model does not depend on management’s intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation with the corporate objective of pursuing, time in time, specific performance of maximizing net interest income and accessory commissions, in order to limit credit risk, always compatible with the RAF (Risk Appetite Framework) established annually. However, a single entity may have more than one business model for managing its financial instruments.

For the Held to Collect business model, the Group has defined eligibility thresholds for sales that do not affect the classification and has defined parameters that allow for the identification of possible increases in the credit risk of assets, because, as provided for by IFRS9 paragraph B4.1.3A, regardless of their frequency and value, sales due to an increase in credit risk are not incompatible with a business model whose objective is the possession of financial assets for the purpose of collecting contractual cash flows, because the credit quality of financial assets is relevant to the entity's ability to collect contractual cash flows.

The Group included the following mainly financial assets in the “HTC” business model, according to the purposes for which they are held and their expected turnover:

- customer loans (e.g. mortgages, personal loans, unsecured loans, revolving credit cards, current account credit lines and, usually, overdraft facilities);
- cash-secured securities loans to “multi-day leverage” retail customers and institutional;
- credit cards full payment of balance;
- deposits, loans and repurchase agreements;
- other trade receivables;
- proprietary securities for which the objective defined by the investment policy is the ownership of financial assets aimed at the collection of contractual cash flows with the aim of achieving medium/long-term profitability.

The “HTCS” business model includes own securities for which the objective defined by the investment policy is pursued through both the collection of contractual flows and the sale of financial assets. Sales are an integral part of this business model and, therefore, there is no turnover threshold for portfolio sales, both in terms of frequency and amount. Nevertheless, trading activity is not allowed in order to pursue the business model and any purchases must be effected taking into account a medium to long-term time horizon.

The “Other Business Models” include any assets that do not fall into the aforementioned macro-classes: these are financial assets that are not held as part of a business model whose objective is the holding of assets aimed at the collection of contractual cash flows or whose objective is pursued through both the collection of contractual cash flows and the sale of financial assets and which, instead, reflect trading intentions.

In particular, it involves are the following mainly activities identified by the Group:

- financial assets connected to internalization
- financial assets held for trading
- securities withdrawn from customers
- other securities (not included in the above points).

SPPI Test

In order to assess whether the features of contractual cash flows support either an amortised cost valuation (HTC) or at fair value through comprehensive income (HTCS) - in addition to the analysis relating to the business model - it is necessary that the contractual terms of financial assets provide for, at given dates, financial flows consisted solely of principal and interest payments on the outstanding capital share (SPPI criterion - Solely Payments of Principal and Interests).

The tests were carried out on each individual financial instrument at initial recognition in the financial statements. Subsequent to initial recognition, and as long as it is recognized in the financial statements, the asset is no longer subject to new assessments for the purpose of the SPPI test. If a financial instrument is cancelled (derecognition) and a new financial asset is recognised, the SPPI test must be carried out on the new asset.

For the application of the SPPI test, IFRS 9 provides the following definitions:

- Principal: is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset, for example if there are repayments of principal;
- Interest: consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

For the assess of the SPPI test in the context of credit granting processes and for transactions in debt securities, a tool was developed based on an internally developed methodology (decision trees).

For transactions in debt securities, the test is carried out using the previously mentioned tool at the time of purchase of the financial instrument.

For standard credit products, the SPPI test is carried out during the proposal to market a new product or to change the standard conditions of an existing product, except for periodic repricing of interest rates, and the test result is extended to all the individual relationships referable to the same product catalog. For credit products with contractual conditions other than those stated in standard term sheet, the SPPI test is performed at the time of disbursement of each loan/concession of a new credit line using the same tool.

It should be noted that the Group did not set minimum or false thresholds considering any clause contractual cash flow characteristics that does not comply with the SPPI requirement as a trigger that result in the test's failure, considering the nature of its loans and securities portfolio, consisting of plain vanilla financial assets.

Derecognition of financial assets

Derecognition is the removal of a previously recognised financial asset from an entity’s consolidated balance sheet.

Before evaluating whether, and to what extent, derecognition is appropriate, under IFRS 9 an entity should determine whether the relevant conditions apply to a financial asset in its entirety or to a part of a financial asset. The standard is applied to a part of financial assets being transferred if, and only if, the part being considered for de-recognition meets one of the following conditions:

- the part comprises only specifically identified cash flows from a financial asset (or a group of similar financial assets);
- the part comprises only a fully proportionate (pro rata) share of the cash flows from a financial asset (or a group of similar financial assets);
- the part comprises only a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

In all other cases, the standard is applied to the financial asset in its entirety (or to the group of similar financial assets) in their entirety.

An entity shall derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial asset to a third party.

Rights to cash flow are considered to be transferred even if contractual rights to receive the asset's cash flow are retained but there is an obligation to pay this cash flow to one or more entities and all the following conditions are fulfilled (pass-through agreement):

- there is no obligation on the company to pay uncollected amounts associated with the original asset;
- sale or pledge of the original asset is not allowed, unless it secures the obligation to pay cash flow;
- there is an obligation to transfer forthwith all cash flows received and may not invest them, except for liquidity invested for the short period between the date of receipt and that of payment, provided that the interest accrued in that period is paid on.

Furthermore, the derecognition of a financial asset is subject to verification that all risks and rewards of ownership of the rights have been substantially transferred. Where substantially all risks and rewards are transferred, the asset (or group of assets) transferred is derecognised and the rights and obligations relating to the transfer are recognised separately as assets or liabilities.

Conversely, if the entity substantially retains all the risks and rewards of ownership of the asset (or group of assets), the entity shall continue to recognise the transferred asset(s). In this case it is necessary to recognise a liability corresponding to the amount received under the transfer and subsequently recognise all income accruing on the asset or expense accruing on the liability.

The main transactions that do not allow, under the above rules, total derecognition of a financial asset are securitisations, repurchase (sell and buy-backs) and securities lending transactions.

In the case of securitisations, the company does not de-recognise the financial asset on purchase of the equity tranche or provision of other forms of support of the structure which result in retention by the company of the credit risk of the securitised portfolio.

In the case of repurchase transactions and stock lending, the assets transacted are not derecognised since the terms of the transaction entail the retention of all their risks and rewards.

Lastly, it should be noted that securities lending transactions collateralised by other securities or not collateralised were recorded as off-balance sheet items.

At the date of these consolidated financial statements, no loan securitisation transactions were present.

Impairment

General matters

Loans and debt instruments classified in the items: Financial assets at amortised cost, Financial assets at fair value through comprehensive income and the relevant off-balance sheet exposures (Commitments and guarantees given), are subjected to an impairment calculation in accordance with IFRS 9, taking into account the integrated reference regulations of the internal regulations and policies which regulate the credit classification rules and their transfer to the various categories.

The exposures are classified in Stage 1, Stage 2 or Stage 3 depending on their absolute or relative credit rating, compared to the initial disbursement. In particular:

- Stage 1: this includes newly originated or acquired credit exposures and exposures that have not suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 2: this includes credit exposures that are performing but which have suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 3: this includes impaired credit exposures.

For Stage 1 exposures, the impairment is equal to the expected loss calculated on a time frame of up to one year. For Stage 2 and Stage 3 exposures, the impairment is equal to the expected loss calculated on a timeframe equivalent to the residual duration of the related exposure.

In order to meet the standard, the Parent Company developed specific models to calculate the expected loss. These models draw on the PD and EAD criteria used for regulatory purposes, to which specific adjustments are made to ensure full consistency with the accounting standard[26]. In this regard, forward-looking information has also been included[27] with the elaboration of specific scenarios.

The expected loss is calculated for institutional counterparties, using the credit parameters provided by Moody's Analytics. For retail counterparties, not having internal rating systems available, PD and LGD parameters are estimated with a different methodology according to the type of product, through models developed internally by the CRO Department (personal loans and mortgages) or proxies (other exposures). For further information,

[26] See paragraph "Parameters and definitions of risk level used in the calculation of value adjustments" for a more detailed explanation of the risk measures used within the Group to calculate the expected credit loss in accordance with IFRS 9.

[27] See paragraph "Forward-looking information used in calculating value adjustments" for a more detailed explanation of the forward-looking information and scenarios used to calculate the expected credit loss in accordance with IFRS 9.

please refer to paragraph 2.3 “Methods for measuring expected losses” of part E “Information on risks and related hedging policies” of these consolidated explanatory notes.

A key aspect of the new accounting model required to calculate the expected loss is the Stage Allocation model, the aim of which is to transfer exposures between Stage 1 and Stage 2 (as Stage 3 is equivalent to that of impaired exposures), where Stage 1 mainly includes newly disbursed exposures and exposures that have no significant impairment of credit risk compared to initial recognition. The Stage Allocation valuation model always operates at the level of the individual exposure, and is based on a combination of relative and absolute elements. The main elements were:

- the comparison between the rating of the counterparty at the reference date and the rating recorded at the date of the opening of the relationship/purchase of securities. Under the methodology, the position will move to stage 2 when a certain threshold is exceeded, set in terms of notch by the rating recorded on the date the relationship was first opened ;
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);
- other internal findings (forborne classification).

With reference to the institutional counterparties with which the Group carries out credit business, the staging allocation methodology makes use of the external rating assigned by the Moody’s agency, and it is also applied to financial instruments purchased by the Group for investment purposes. With reference to retail counterparties, in the absence of internal ratings, the Group makes use of the backstops envisaged by the regulations and further internal evidence. In this context, all exposures having more than 30 days past due, or for which further information that suggesting a deterioration in the creditworthiness of the counterparty are available, are classified in stage 2.

The criteria for determining the write-downs of receivables are based on the discounting of expected cash flows of principal and interest. In line with the business model, these can also refer to market operations; for determining the present value of cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discounting rate used. The amount of the loss on impaired exposures classified as non-performing, unlikely to pay and past due according to the categories specified below, is the difference between the carrying value and the present value of estimated cash flows discounted at the original interest rate of the financial asset. For all fixed-rate positions, the interest rate determined in this manner is also held constant in future years, while for floating rate positions the interest rate is updated according to contractual terms. If the original interest rate is not directly available, or if finding it would be excessively onerous, the interest rate that best approximates the original one is applied, including through practical expedients that do not affect the substance and ensure consistency with international accounting standards.

Recovery times are estimated on the basis of business plans or forecasts based on historical recovery experience observed for similar classes of loans, taking into account the customer segment, type of loan, type of security and any other factors considered relevant, or if the conditions of expected market transactions are met.

Parameters and definitions of risk level used in the calculation of value adjustments

As mentioned above the models to calculate the expected loss, which draw on the PD, LGD and EAD criteria, as well as the effective interest rate. These models are used for calculating value adjustments of all the institutional counterparties common to the Group, for the most part made up of FIBS (Financial Institutions, Banks and Sovereigns) counterparties.

Specifically:

- PD (Probability of Default) expresses the percentage of estimated loss, and hence the expected recovery rate whenever a credit position default event occurs;
- LGD (Loss Given Default) expresses the percentage of estimated loss, and hence the expected recovery rate is the complement to the unit (of the LGD) whenever a credit position default event occurs;
- EAD (Exposure at Default) expresses the measurement of the exposure at the time of the credit position default event;
- Effective Interest Rate is the discount rate expressing the time value of the money.

These parameters are calculated on the basis of identical parameters used for the purpose of calculating Internal Capital, with specific adjustments made to ensure full cohesion with the requirements of the IFRS 9.

The main adjustments are made in order to:

- introduce “point-in-time” required by the accounting standard;
- include forward-looking information;
- extend the credit risk parameters to a multi-year perspective.

With regard to the lifetime PD, the through-the-cycle PD curves obtained by adapting the cumulative non-compliance rates are adjusted to reflect point-in-time provisions and forward-looking provisions with regard to the portfolio non-compliance rates.

The rate of recovery incorporated in the through-the-cycle LGD was adapted in order to reflect the latest trends in recovery rates, and expectations about future trends discounted to the actual interest rate or its best approximation.

For Stage 3, this includes the corresponding impaired exposures towards debtors who fall, in accordance with the Bank of Italy rules defined in Circular 272 of July 30th, 2008 as updated, into the “Non-performing” category pursuant to Regulation 630/2019 amending Regulation (EU) No 575/2013 and Commission Implementing Regulation (EU) No 451/2021, as amended and supplemented (Implementing Technical Standards). Financial instruments included in the portfolio “Financial assets held for trading” and derivative contracts are excluded.

For the purposes of identifying and classifying impaired credit exposures, account must also be taken of the provisions of the EBA Guidelines on the application of the definition of default pursuant to Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council (EBA/GL/2016/07) and EU Regulation 2018/171. Impaired credit exposures must, during the 3-month “cure period” provided for in paragraph 71(a) of EBA/GL/2016/07, continue to be recognised in the relevant categories in which they were located.

The aforementioned Circular 272 establishes that the impaired assets aggregate is divided into the following categories:

- Bad exposures, i.e., the on-balance-sheet and off-balance-sheet exposures to insolvent borrowers, even if the insolvency has not been recognised in a court of law. They are generally measured individually (including by verifying statistically defined coverage levels for some loan portfolios below a predefined threshold) or, for individually insignificant amounts, on a flat basis by type of homogeneous exposure.
- Unlikely to pay – on – and off-balance sheet exposures which do not meet the borrower’s condition for classification as bad exposures and for which, in the absence of actions such as the enforcement of collateral, the debtor’s ability to fully meet its credit obligations (principal and/or interest) is assessed as unlikely. This assessment is made independently of any past due and unpaid amount (or instalment). The classification of an exposure as “unlikely to pay” is not necessarily tied to evident issues (non-repayment), but is rather linked to indicators of a potential default of the borrower. The "unlikely to pay" exposures are measured in the accounts individually (including by verifying statistically defined coverage levels for some loan portfolios below a predefined threshold) or by applying a percentage on a flat basis by type of homogeneous exposures. Exposures classified as unlikely to pay and identified as forborne, may only be reclassified to unimpaired loans after at least one year has passed from the time of the forbearance and the conditions established in paragraph 157 of the EBA Implementing and Technical Standards have been met. With regard to their measurement, they are generally measured on an individual basis or by applying a percentage on a flat basis by type of homogeneous exposures and the resulting allowance may include the discounted cost due to renegotiation of the Interest rate at a rate lower than the original contractual rate.
- Past due and/or overdrawn impaired exposures - on-balance sheet exposures, other than those classified as bad exposures or unlikely to pay that are past due or overdrawn at the reporting date. The past due and/or overdrawn impaired exposures are determined with respect to the individual debtor. Specifically, they represent the total exposure to any borrower not included in the unlikely to pay and non-performing loans categories, who at the reporting date has expired facilities or unauthorised overdrafts that are more than 90 days past due if the amount of principal, interest or fees unpaid at the date they were due exceeds both of the following thresholds: a) an absolute limit of €100 for retail exposures and of € 500 for non-retail exposures; b) a relative limit of 1% given by the ratio of the total amount past due and/or in arrears to the total amount of all credit exposures to the same debtor. Impaired past due and/or in arrears exposures are valued on a lump-sum basis on a historical/statistical basis.

Forward-looking information used in calculating value adjustments

The credit loss expected from the parameters described in the forgoing paragraph considers macroeconomic forecasts by applying multiple scenarios to the forward looking components. Specifically, the forward looking component is determined by three macroeconomic scenarios, a basic scenario (“Baseline”), a positive scenario and an adverse scenario. The basic scenario is the central scenario of reference and is therefore considered the most probable realization; the positive and adverse scenarios represent alternative realizations, respectively better and worse. For further details, please refer to Section 2 - Risk of the prudential consolidated perimeter, of Part E - Information on Risks and relating hedging policies of these Consolidated Notes to the consolidated accounts.

Part A - Accounting policies

Leases IFRS 16

A contract is, or contains, a lease if, in return for consideration, it confers the right to control the use of a specified asset for a period of time. IFRS 16 provides a definition of a lease based on the notion of control ("right of use") of an asset to distinguish leases from service contracts, identifying the following as the determinants of leases: identification of the asset, the right to replace the asset, the right to obtain substantially all the economic benefits embodied in the use of the asset, and the right to direct (i.e. control) the use of the leased asset. In addition to leases proper, leases are also defined as rental, hire, lease and loan agreements.

The accounting model to be applied by the lessee provides that, for all types of leases (operating and finance leases), an asset representing the right of use of the leased asset and, at the same time, the financial liability for the lease payments ("lease liabilities") must be recognised.

With regard to the accounting model to be applied by the lessor, the accounting standard distinguishes between an operating lease and a finance lease: a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset; a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Lessee

At initial recognition, the asset, representing the right of use of the leased asset, is measured based on the cash flows associated with the lease at the lease inception date, corresponding to the present value of unpaid lease payments at that date ('lease liabilities'), including payments made on or before the inception date and initial direct costs incurred by the lessee (if any). Lease payments are determined in accordance with the terms of the lease and are calculated net of VAT, where applicable, as the obligation to pay VAT arises at the time the lessor issues the invoice and not at the commencement date of the lease, and are discounted using the Bank's marginal borrowing rate, which is determined on the basis of the cost of funding liabilities of similar durations and guarantees as those implied by the leases. Subsequent to initial recognition, this asset is measured in accordance with the requirements for property, plant and equipment in IAS 16 or IAS 40 and, therefore, at cost less depreciation and any impairment losses, at "revalued amount" or at fair value as applicable (see paragraph 6 - Property, plant and equipment for further details).

The lease liability shall be restated after the effective date if changes are made to the lease payments due; the amount of the restatement of the lease liability shall be recognised as an adjustment to the right-of-use asset.

In accordance with the standard, which grants exemptions in this respect, the Group envisaged the exclusion of contracts involving low-value assets (the threshold of which was identified as €5 thousand), the exclusion of all leases with a contractual duration of 12 months or less (known as "short term leases") and it not to apply the standard to leases of intangible assets (mainly software leases). For these contracts, the related lease payments are recognised in the income statement on a straight-line basis for the corresponding duration. It should also be noted that the non-lease components are separated from the lease components and recognised in the income statement on an accrual basis in accordance with the applicable accounting policy, and that the costs of variable lease payments not included in the measurement of lease payables are also recognised in the income statement.

Lessor

Lease agreements entered into by the Group have been classified as operating leases, therefore payments received are recognised as income on a straight-line basis in income statement item 230 "Other operating income/expenses". Underlying assets subject to operating leases are depreciated and subjected to the impairment testing process in a manner similar to similar assets (for further details see paragraph 6 - Property, plant and equipment).

For further details on leasing operations, please refer to Part M - Leasing information, contained in these notes to the consolidated accounts.

Repos and securities lending

Securities received in a transaction that entails a contractual obligation to sell them at a later date or delivered under a contractual obligation to repurchase are neither recognised nor derecognised. In respect of securities purchased under an agreement to resell, the consideration is recognised as financial assets at amortised cost, or as an asset held for trading; in respect of securities held in a repurchase agreement, the liability is recognised as financial liabilities at amortised cost, or as financial liabilities held for trading. Revenue from these loans, being the coupons accrued on the securities and the difference between the sale/purchase and resale/repurchase prices, is recognised in consolidated profit or loss through interest income and expenses on an accruals basis.

These transactions can only be offset if, and only if, they are carried out with the same counterparty and provided that such offset is provided for in the underlying contracts.

The same rules apply to securities lending transactions collateralised by cash fully available to the lender.

The profit or loss items connected with these transactions are booked respectively:

- in the item Interest, for the positive component (borrower) and the negative component (lender) related to the return on cash paid to the lender;

- in the item Fees and commissions, for the negative component (borrower) and the positive component (lender) related to the service received (provided) through the provision of the security by the lender.

With reference to securities lending transactions collateralised by other securities, or not collateralised, the security lent or the security put up as collateral are still recognised as assets in the balance sheet, depending on the role - lender or borrower, respectively - played in the transaction.

Targeted Longer Term Refinancing Operations III - TLTRO III

TLTRO III operations are unconventional monetary policy instruments that allow Eurosystem credit institutions to finance themselves on a long-term basis at very favourable rates, with the aim of increasing lending to businesses and consumers in the euro area.

At the date of these financial statements, the Group had no outstanding TLTRO III operations. Transactions closed during 2022 were recognised in "Financial liabilities at amortised cost" and are measured at amortised cost, applying the provisions of IFRS 9.

Share-Based Payment

Equity-settled payments made to employees or other staff (specifically, personal financial advisors) in consideration of work services rendered or other goods received or services rendered, using shares, which may consist in the assignment of:

- stock options;
- rights to receive shares upon attainment of certain objectives ("performance shares"), which are settled with equity instruments;
- Performance shares (i.e. awarded on attainment of certain objectives) settled in cash.

Considering the difficulty of reliably measuring the fair value of the services acquired against equity-settled payments, reference is made to the fair value of the instruments, measured at the date of their allocation.

The fair value of equity-settled payments or the purchase on the market of shares in FinecoBank in exchange of work or services is recognised as cost in consolidated income statement in item 190. "Administrative expenses" or 50. "Fee and commission expenses" as a contra-entry to item 150. "Reserves" in consolidated shareholders' equity, on an accruals basis over the period in which the services are acquired.

In any share-based payments settled in cash, the services acquired and the liabilities assumed are measured at the latter's fair value and recognised in profit or loss as counterparty of the Item 80. "Other Liabilities". Until the liability is settled, the fair value is recalculated at each balance sheet date until the settlement date, and all changes in fair value are recognised in profit or loss.

Renegotiations

When, during the life of an instrument, the contractual clauses are subject to modification by the parties to the contract, it is necessary to verify whether following the renegotiation the original asset must continue to be recognized in the financial statements and accounted for using the "modification accounting" or if, on the contrary, the original instrument must be cancelled from the financial statements (derecognition) and a new financial instrument must be recognised.

To this end, the renegotiations of financial instruments that lead to a change in the contractual terms are recognised on the basis of the "substantiality" of those contractual changes.

The assessment of the substantial nature of the change must be carried out considering both qualitative elements and, in the case of financial liabilities, quantitative elements. In some cases it is possible to establish whether the modification introduced substantially change the characteristics and/or contractual cash flows of a given asset/liability through a qualitative analysis. With regard to the financial liabilities, moreover, further analyses, including quantitative ones, must be carried out to appreciate the effects of the same and verify the need to proceed or not with the derecognition of the liability and the recognition of a new financial instrument (10% threshold test).

If the risks and rewards of ownership of the financial asset, after the modification, are not substantially transferred, the accounting representation that offers the most relevant information for the reader of the financial statements is that performed through the "modification accounting", which implies that the gross value is redetermined by calculating the present value of cash flows resulting from the renegotiation, at the original rate of the exposure. The difference between the gross value of the financial instrument prior to and after the renegotiation of the contractual terms, adjusted to consider the associated changes to the cumulative value adjustments, is recognised as a profit or loss in item 140. "Profit/loss from contractual modification without derecognition" on the consolidated income statement.

Otherwise, when the risks and rewards of ownership of the financial asset, after the modification, are substantially transferred, it is necessary to proceed with the derecognition.

Renegotiations formalised by means of changes to the existing contract or by the signing of a new contract, which lead to the exclusion of the right to receive cash flows according to the provisions of the original contract, are considered to be significant. The rights to receive cash flows are considered to be excluded in the case of renegotiations that lead to the introduction of clauses resulting in a change of classification of the instrument, which result in a change in the currency and which are made at market conditions, thus not constituting a credit exposure.

Renegotiations for commercial reasons involve debtors that are not in a situation of financial difficulty. This generally includes all renegotiations that are aimed at adjusting the onerousness of the debt to market conditions. Such transactions entail a change in the original terms of the contract, usually requested by the debtor, that relates to aspects connected to the onerousness of the debt, with a consequent economic benefit for the debtor. In general, such renegotiations are considered substantial and are treated in accounting terms as an early extinguishment of the original debt and the opening of a new loan.

Equity instruments

Equity instruments represent a residual interest in assets of the Company, net of liabilities. An instrument is classified as equity instrument if there are no contractual obligations to make payments in the form of principal, interest or other types of returns.

Specifically, instruments that meet the following requirements are classified as equity instruments:

- unlimited term or at least equal to the term of the company;
- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding.

Equity instruments include Additional Tier 1 instruments under Regulation (EU) No. 575/2013 (CRR) on prudential requirements for credit institutions and investment firms, which in addition to the above characteristics:

- maintain the issuer’s full discretion as to the reinstatement of the nominal value (write-up) following a capital event that resulted in a write-down;
- do not include provisions that require the issuer to make payments (must pay clauses) as a result of actual events under the control of the parties.

Equity instruments other than ordinary or savings shares, are classified in the consolidated balance sheet in item 140. “Equity instruments” for the amount received. Any coupons and transaction costs attributable to the transaction paid are deducted from Item 150. “Reserve” in consolidated shareholders' equity, net of related taxes.

Provisions for employee severance pay

The "TFR" provision for Italy-based employee benefits is to be construed as a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see Section 10 - under “Provisions for Risks and Charges - Retirement Payments and Similar Obligations”). This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to total years of service at the time of payment of the benefit.

Following pension reform by Law 252 of December 5, 2005, TFR instalments accrued to December 31, 2006 (or to the date between January 1, 2007 and June 30, 2007 on which the employee opted to devolve their TFR to a supplementary pension fund) stay in the employer and are considered a post-employment defined benefit plan therefore incurring actuarial valuation, though with simplified actuarial assumptions, i.e., forecast future pay rises are not considered.

TFR instalments accrued since January 1, 2007 (date of Law 252 coming into effect) (or since the date between January 1, 2007 and June 30, 2007) are, at the employee's discretion, either paid into a pension fund or left in the company and (where the company has in excess of 50 employees) paid into an INPS Treasury fund by the employer, and are assimilated to a defined-contribution plan.

Costs relating to TFR are recognised in the Consolidated Income Statement in item 190. "Administrative expenses: a) staff expenses" and include, for the part of the defined benefit plan: (i) interest cost accrued in the year, for the part of plan considered defined contribution plan (ii) the accrued instalments for the year paid into the complementary pension scheme or to the Treasury fund of INPS.

Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of obligations at period end, are recognised in consolidated Shareholders' equity under the Revaluation reserves in accordance with IAS 19 Revised and are also shown in the Consolidated Statement of Comprehensive Income.

Write – offs

The Group records a write-off of a financial asset whenever there are no reasonable expectations of recovering capital and interests.

The evaluations on possible write-offs are implemented based on different criteria, listed below (by way of example and not exhaustive), such as:

- Untraceable of borrower and/or guarantor, if present;
- Lack of enforceable assets (i.e. lack of salary, real estate);
- Unprofitable and expensive judicial actions in relation to the receivable;
- Decease of the debtor and possible no living heirs and / or renunciation of the inheritance.

In any case, the Group policy is to not continue recovery activities after a write-off has been recorded.

RECOGNITION OF INCOME AND EXPENSES

The main revenues and costs are recorded in the income statement as follows:

- interest is recognized pro rata temporis based on the contractual interest rate or the effective interest rate if the amortised cost method is applied. Interest expenses (or interest income, in case of negative interest expenses) also includes the interest on lease liabilities determinated based on the marginal loan rate. Interest income (or interest expense) also includes the spreads or margins, positive (or negative), accrued up to the reporting date, relating to:
  - derivative financial contracts hedging interest-bearing assets and liabilities;
  - financial derivative contracts classified in the balance sheet as held for trading, but operationally linked to financial assets and / or liabilities designated at fair value (*fair value option*);
  - financial derivative contracts operationally linked to assets and liabilities classified in the balance sheet as held for trading or operationally linked to "other financial assets required to be measured at fair value" and which provide for the settlement of spreads or margins with several maturities ("multi-flow contracts");
- default interest is taken to the income statement on actual collection;
- dividends are recognised in profit or loss in the financial year in which their distribution has been approved, unless that date is not known or the information is not immediately available, in which case recognition at the time of collection is permitted;
- fees and commissions from services are recognized, based on the underlying contractual agreements, in relation to the provision of the services from which they originated, as defined by provisions of IFRS 15 (as detailed below). The fees included in amortised cost to calculate the effective interest rate are recognized as interest;
- gains and losses from securities trading are recognized in the income statement at the time the sale is finalized, based on the difference between the amount paid or collected and the carrying amount of the instruments;
- gains and losses from the sale of non-financial assets are recognized at the time the sale is finalized, or when the performance obligation to the customer is fulfilled;
- the costs are recognized in the income statement according to the accrual principle; the costs recognized for the acquisition of contracts with customers, which the Group would not have incurred had it not obtained the contract, are recognized as assets and systematically amortised in the income statement in line with the recognition of revenues related to the transfer to customers of the goods or services to which the asset refers.

Among costs, administrative expenses also include short-term lease payments, low value lease payments (i.e. contracts whose assets underlying the contract do not exceed, when new, the threshold of € 5 thousand), costs for variable payments due for leasing not included in the evaluation of the lease liability, the VAT component of the lease payments to be paid/paid on the leasing contracts recognized in accordance with IFRS 16 and the fees for the leasing of intangible assets.

Fees and commissions income and other operating income are accounted for in the income statement as the entity satisfies the performance obligation embedded in the contract, according to “IFRS15 Revenue from Contracts with Customers” rules. In particular, revenues from commissions from services and other income are recognized in the income statement:

- at a specific moment, when the entity fulfills the obligation to transfer the promised good or service ("point in time") to the customer,

or

- over time, as the entity fulfils its obligation to transfer the promised good or service ("over time") to the customer.

The promised good or service, i.e. the asset, is transferred when the customer has control.

Part A - Accounting policies

If the timing of cash-in of the contractual amount is not aligned to the way the performance obligation is satisfied, the Group accounts for a contract asset or a contract liability for the portion of revenue accrued in the period or to defer in the following periods.

The amount of revenues linked to fees and commissions income and other operating income is measured based on contractual provisions. If the amount contractually foreseen is subject, totally or partially, to variability, a revenue has to be booked based on the most probable amount that the Group expects to receive. Such amount is determined on the basis of all facts and circumstances considered relevant for the evaluation, that depend on the type of service provided and, in particular, on the presumption that it is not highly probable that the revenue recognized will not be significantly reversed.

If a contract regards different goods/services whose performance obligations are not satisfied at the same time, the revenue is allocated among the different obligation proportionally to the stand-alone price of the single item delivered. These amounts will be therefore accounted for in P&L through different methods ("over time" or "point in time") on the basis of the timing of satisfaction of each obligation. If the allocation is particularly burdensome and where revenues are not material, revenue is entirely allocated to the main performance obligation.

Where envisaged, the fees to be paid to customers are recorded as a reduction in revenues from the supply of goods or services and consistently with the recognition of said goods or services.

Any revenues that include a significant funding component are adjusted to take into account the effects of the time value of money, to reflect the price that the customer would have paid if the payment had occurred upon (or gradually with) the transfer of the promised goods or services. The Group uses the practical expedient envisaged by paragraph 63 of IFRS 15; as a result of which the Group does not adjust the promised amount to take into account the effects of a funding component when the time interval expected between the transfer of the promised good or service and the related payment is less than one year.

To this end, it is worth noting that the performance of financial services provided over a given period of time (for example, the keeping and management of current accounts, advisory services, management of UCITS or insurance products) have been considered satisfied over time, regardless of the moment the consideration is paid by the customer, while performances of financial services that require the execution of specific activities (for example, purchase, sale or placement of securities, UCITS or insurance products, execution of money transfers) have been considered fulfilled at a given time ("point in time"), even if the contract requires the service is provided for an indefinite period.

With reference to the main revenue recognized by the Group in application of the IFRS 15 accounting standard, it should be noted that:

- the commissions for trading, order collection and placement of financial instruments are accounted for "point in time", as the service is intended provided when the service is rendered. The consideration is quantified as a fixed or percentage amount, based on the contractual conditions, on the value of the instrument traded/placed;
- advisory, portfolio management and insurance product management commissions are recorded "over time", as the service is intended provided during the term of the contract (input method). For this kind of fees, in fact, it is deemed that the input which are necessary to provide the service incorporated in the performance obligation are evenly distributed during the term of the contract. There are no performance fees on asset management instruments. With regard to placement of specific insurance policies, whose return is determined on the basis of the performance of the separate management on the annual recurrence of the policy, it should be noted that there is a variability determined by the performance of the separate management, which may result in a reduction in applicable rate;
- commissions related to payment systems are mainly recognized "point in time", except for some services that are recorded "over time" during the term of the contract (SEPA Electronic Database Alignment). The considerations are quantified as a fixed amount, mainly with reference to transactions carried out on behalf of customers (for example ATM withdrawals, Visa debit withdrawals, foreign money transfers or in other currencies other than euro, postal bills, etc...), or as percentage of the value of the transaction, mainly with reference to revenues received from the circuits and generated by transactions carried out on behalf of customers (credit cards / Visa debit, Pos, etc.);
- recoveries of the stamp duty on financial assets are recorded "over time", according to the provisions in force, as the service is considered provided during the term of the contract.

A.3 Disclosure on transfers between portfolios of financial assets

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

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

Specifically, the following may be reclassified:

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

The following changes in circumstances are not considered reclassifications:

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

The following are not changes in business model:

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

During 2023 the Group has not made changes to its business models and, consequently, did not make any changes.

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

No data to report.

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

No data to report.

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

No data to report.

A.4 Information on fair value

Qualitative information

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

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

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

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

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

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

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

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

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

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

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

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

Description of evaluation techniques

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

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

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

Fair Value Adjustments (FVAs)

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

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

Assets and liabilities measured at fair value on recurring basis

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

With reference to the quantitative disclosure required by IFRS 13 on significant unobservable inputs used in the fair value measurement and the sensitivity analysis of level 3 financial assets and liabilities measured at fair value, it should be noted that the Group does not hold significant positions in financial instruments classified in level 3 of the fair value hierarchy. The only exception are Visa INC class "C" and class "A" preferred shares, for which reference is made to the following paragraph "Equities".

Fixed Income Securities

Fixed Income Securities are priced through two main process depending on the reference market liquidity. Liquid instruments listed on active markets are assigned the fair value hierarchy of 1 and the Bid price (for long positions) and the Ask price (for short positions) are considered. Instruments not traded in active markets are marked-to-model.

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

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

Structured Financial Products

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

OTC derivatives

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

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

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

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

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

Equity Instruments and Derivative contracts listed on regulated markets

Equity Instruments and derivative contracts listed on regulated markets, including certificates issued by Fineco, shall be marked as to Level 1 when a quoted price is available on an active market. In this case, the closing price of the most liquid regulated market to which Fineco has access is considered. Equity securities, if listed, are classified as Level 2 if the volume of activity on the listing market is significantly reduced and as Level 3 when there are no listings or listings have been suspended indefinitely.

In order to provide a fair value for Visa INC preferred shares class "C", the Group has adopted a model which converts the market price in dollars of Visa INC class "A" shares into euro and applies a discount factor. For the class “C” preferred shares valuation as at December 31st, 2023 such factor was determined equal to 9.79%, estimating as at December 31st, 2023, litigation risk at 3.79% and illiquidity risk at 6%. The litigation risk component has been extracted from an historical series of data provided by Visa INC, whereas the illiquidity risk component has been derived from the illiquidity of shares having limitations on their transferability for a certain period. Preferred shares class "A", on the other hand, are subject to a valuation method in the financial statements which does not provide for the application of a "Litigation Discount". Furthermore, since the latter are convertible into VISA-A Common shares and can subsequently be sold, the "Illiquidity Risk" component is lower than for Visa class "C", therefore the discount factor was estimated at 3.96%. The Visa INC preferred shares class "C" and “A” have been marked as level 3 of fair value hierarchy.

Investment Funds

The Group may hold investments in investment funds publishing a Net Asset Value (NAV) per share and may include investments in funds managed by the Group itself. Funds are generally classified as Level 1 when an official price is available on active markets. Funds shall be classified as Level 2 and Level 3 depending on the NAV availability, the transparency of the portfolio and any possible constraints/limitations.

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

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

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

Financial assets at amortised cost

For financial assets at amortised cost, whose fair value is not based on prices observed on active markets (level 1), the fair value is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued using simplified approaches, which however take into account their financial characteristics.

The fair value of on-demand or callable items, and of financial assets with a maturity of less than 12 months and operating receivables related to the provision of financial activities and services, is approximated equal to the balance sheet value; these assets are assigned the level 3 fair value hierarchy.

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

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

Financial liabilities at amortised cost

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

The fair value of on-demand financial liabilities with a maturity of less than 12 months is approximated equal to the balance sheet value; these liabilities are assigned the fair value hierarchy level 3.

Part A - Accounting policies

Cash and cash balances

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

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

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

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

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

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

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

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

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

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

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

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

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

A.4.3 Fair value hierarchy

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

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

In particular, three levels are considered:

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

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

A.4.4 Other information

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

Quantitative information

A.4.5 Fair value hierarchy

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

(Amounts in € thousand)

Assets/Liabilities at fair value	12/31/2023			12/31/2022		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	11,208	3,856	6,055	13,360	4,067	5,051
a) financial assets held for trading	10,230	3,856	23	13,037	3,866	23
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	978	-	6,032	323	201	5,028
2. Financial assets at fair value through other comprehensive income	29,062	-	7	26,865	-	7
3. Hedging derivatives	-	896,577	-	-	1,691,642	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**40,270**	**900,433**	**6,062**	**40,225**	**1,695,709**	**5,058**
1. Financial liabilities held for trading	5,324	1,670	3	3,184	1,387	3
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	59,988	-	-	63,752	-
Total	**5,324**	**61,658**	**3**	**3,184**	**65,139**	**3**

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

During the current financial year, there were no significant transfers of financial assets between fair value hierarchy 1 and 2.

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

Impacts of the crisis unfolded by the Russia-Ukraine military conflict on fair value measurement

The crisis caused by Russia-Ukraine military conflict had no impact in terms of fair value measurement. In particular, there were no reductions/disappearances in prices quoted on active markets (Level 1) and/or observable inputs (Level 2), nor transfers between the various levels of the fair value hierarchy for financial instruments in which the Group holds significant investments.

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

(Amounts in € thousand)

	Financial assets measured at fair value with impact on the income statement				Financial assets at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily at fair value				
1. Opening balance	**5,051**	**23**	**-**	**5,028**	**7**	**-**	**-**	**-**
2. Increases	**1,611**	**424**	**-**	**1,187**	**-**	**-**	**-**	**-**
2.1. Purchases	424	424	-	-	-	-	-	-
2.2. Profits recognised in:	1,187	-	-	1,187	-	-	-	-
2.2.1. Income Statement	1,187	-	-	1,187	-	-	-	-
- of which unrealised gains	1,187	-	-	1,187	-	-	-	-
2.2.2. Shareholders' Equity	-	X	X	X	-	-	-	-
2.3.Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**(607)**	**(424)**	**-**	**(183)**	**-**	**-**	**-**	**-**
3.1. Sales	(424)	(424)	-	-	-	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3. Losses recognised in:	(183)	-	-	(183)	-	-	-	-
3.3.1. Income Statement	(183)	-	-	(183)	-	-	-	-
- of which unrealised losses	(181)	-	-	(181)	-	-	-	-
3.3.2. Shareholders' Equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balances	**6,055**	**23**	**-**	**6,032**	**7**	**-**	**-**	**-**

The sub-items 2.2.1 “Profits recognized in Income Statement” and 3.3.1 “Losses recognized in Income Statement” are included, where present, in consolidated income statement in the following items:

- Item 80: Gains (losses) on financial assets and liabilities held for trading;
- Item 110: Gains (losses) on financial assets and liabilities at fair value through profit and loss;
- Item 90: Fair value adjustments in hedge accounting.

The sub-items 2.2.2 “Profits recognised in Shareholders’ equity” and 3.3.2 “Losses recognised in Shareholders’ equity” arising from changes in fair value of “Financial assets at fair value through other comprehensive income” are recognised, if any, in equity item 120. "Revaluation reserves" of consolidated shareholder’s equity - except losses due to impairment and exchange rate gains or losses on monetary items (debt instruments) which are recognised under item 130. "Impairment losses/write backs on: b) financial assets at fair value through other comprehensive income" and item 80. "Gains (losses) on financial assets and liabilities held for trading" of the consolidated income statement, respectively - until the financial asset is sold, at which time cumulative gains and losses are recognised in consolidated profit or loss in item 100. "Gains (losses) on disposal or repurchase of: b) financial assets at fair value through other comprehensive income".

A.4.5.3 Annual changes in financial liabilities measured at fair value level 3 on a recurring basis

(Amounts in € thousand)

	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Hedging derivatives
1. Opening balance	**3**	**-**	**-**
2. Increases	**-**	**-**	**-**
2.1. Issues	-	-	-
2.2. Losses allocated to:	-	-	-
2.2.1. Income Statement	-	-	-
- of which capital losses	-	-	-
2.2.2. Shareholders' Equity	X	-	-
2.3. Trasferts from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	**-**	**-**	**-**
3.1. Reimbursements	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised in:	-	-	-
3.3.1. Income Statement	-	-	-
- of which capital gains	-	-	-
3.3.2. In equity	X	-	-
3.4. Trasferts to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balances	**3**	**-**	**-**

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

(Amounts in € thousand)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	12/31/2023				12/31/2022			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets at amortised cost	27,940,209	19,409,985	837,063	6,494,211	31,472,301	20,844,398	1,962,312	6,707,496
2. Tangible assets held for investment	-	-	-	-	-	-	-	-
3. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**27,940,209**	**19,409,985**	**837,063**	**6,494,211**	**31,472,301**	**20,844,398**	**1,962,312**	**6,707,496**
1. Financial liabilities at amortised cost	30,433,831	777,598	31,513	29,591,557	33,870,808	428,061	-	33,372,882
2. Liabilities included in disposal group classified as held for sale	-	-	-	-	-	-	-	-
Total	**30,433,831**	**777,598**	**31,513**	**29,591,557**	**33,870,808**	**428,061**	**-**	**33,372,882**

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

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

A.5 Day-one profit/loss

Financial instruments must be initially recognised at fair value.

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

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

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

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

Part B - Consolidated Balance Sheet

Assets

Section 1 - Cash and cash balances - Item 10

1.1 Cash and cash balances: breakdown

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
a) Cash	6	4
b) Current account and demand deposits to Central banks	1,933,510	1,197,698
c) Current accounts and demand deposits to banks	333,034	272,011
Total	**2,266,550**	**1,469,713**

The item “(b) Demand deposits to central banks” refers to the overnight deposit and the liquidity deposited to Bank of Italy, net of the balance related to the minimum reserve requirement allocated for the current reporting period, which is represented in the item “Financial assets at amortized cost: loans and receivables to banks”.

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

Part B - Consolidated Balance Sheet

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

2.1 Financial assets held for trading: product breakdown

(Amounts in € thousand)

Items/Amounts	Total 12/31/2023			Total 12/31/2022		
	L1	L2	L3	L1	L2	L3
A. Balance sheet assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	8,765	-	-	10,533	-	-
3. Units in investment funds	-	-	23	6	-	23
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**8,765**	**-**	**23**	**10,539**	**-**	**23**
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	1,465	3,856	-	2,498	3,866	-
1.1 Trading	1,465	3,856	-	2,498	3,866	-
1.2 Linked to fair value option	-	-	-	-	-	-
1.3 Others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Others	-	-	-	-	-	-
Total (B)	**1,465**	**3,856**	**-**	**2,498**	**3,866**	**-**
Total (A+B)	**10,230**	**3,856**	**23**	**13,037**	**3,866**	**23**

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

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

Financial derivatives refer to the positive valuation of CFD contracts traded against customers, as well as derivative contracts regulated or entered into with institutional counterparties for the purpose of hedging such derivative contracts, Knock Out Options and Certificates issued, and for a total amount of € 3,652 thousand (€ 3,830 thousand as at December 31st, 2022).

Sub-item B.1.1 “Derivative instruments - Trading financial derivatives” also includes the positive valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"). They amounted to € 1,669 thousand (€ 2,534 thousand as at December 31st, 2022).

2.2 Financial assets held for trading: breakdown by issuer/borrower

(Amounts in € thousand)

Items/Amounts	Total 12/31/2023	Total 12/31/2022
A. On-balance sheet assets		
1. Debt securities	-	-
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	8,765	10,533
a) Banks	-	1
b) Other financial companies	688	397
of which: Insurance companies	-	-
c) Non-financial companies	8,077	10,135
d) Other issuers	-	-
3. Units in investment funds	23	29
4. Loans	-	-
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**8,788**	**10,562**
B. Derivative instruments		
a) Central Counterparties	73	177
b) Others	5,248	6,187
Total (B)	**5,321**	**6,364**
Total (A+B)	**14,109**	**16,926**

Item B. “Derivative instruments” also includes the positive valuations of spot contracts for securities classified in the “Financial Assets held for trading” portfolio and currencies to be settled within times established by market practices ("regular way").

2.3 Financial assets designated at fair value: product breakdown

No data to report.

2.4 Financial assets designated at fair value: breakdown by issuer/borrower

No data to report.

Part B - Consolidated Balance Sheet

2.5 Other financial assets mandatorily at fair value: product breakdown

(Amounts in € thousand)

Items/Accounts	Total 12/31/2023			Total 12/31/2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**48**	**-**	**-**	**77**	**201**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	48	-	-	77	201	-
2. Equity instruments	**1**	**-**	**6,032**	**1**	**-**	**5,028**
3. Units in investment funds	**929**	**-**	**-**	**245**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	**978**	**-**	**6,032**	**323**	**201**	**5,028**

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

Equity securities included in “Other financial assets mandatorily at fair value” primarily consist of the Visa INC class “C” and “A” preferred shares, for an amount of € 6,022 thousand, which show a positive fair value change of € 1,013 thousand during 2023. The Units in investment funds held by the subsidiary Fineco AM in the amount of € 929 thousand For more details on the fair value measurement of financial instruments, please refer to Part A - Accounting Policies - A.4 Information on the fair value of these notes to the consolidated accounts.

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

Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
1. Equity instruments	**6,033**	**5,029**
of which: banks	8	14
of which: other financial companies	6,022	5,010
of which: other non-financial companies	3	5
2. Debts securities	**48**	**278**
a) Central Banks	-	-
b) Public Entities	45	76
c) Banks	3	202
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. Units investment funds	**929**	**245**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**7,010**	**5,552**

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

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

(Amounts in € thousand)

Item/Amounts	Total 12/31/2023			Total 12/31/2022		
	L1	L2	L3	L1	L2	L3
1. Debts securities	**29,062**	**-**	**-**	**26,865**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	29,062	-	-	26,865	-	-
2. Equity instruments	**-**	**-**	**7**	**-**	**-**	**7**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**29,062**	**-**	**7**	**26,865**	**-**	**7**

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

Part B - Consolidated Balance Sheet

"Financial assets at fair value through other comprehensive income" consist of securities issued by sovereign States and, residually, of equity interests in companies in which the Group does not exercise control or significant influence for € 7 thousand for which the "FVTOCI"[28] option was exercised. For more details, see the information in exposures on securities issued by Sovereign States set out in Part E of the notes to the consolidated accounts.

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

(Amounts in € thousand)

Items/Amounts	Total 12/31/2023	Total 12/31/2022
1. Debt securities	**29,062**	**26,865**
a) Central Banks	-	-
b) Public Entities	29,062	26,865
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity Instruments	**7**	**7**
a) Banks	-	-
b) Other issuers:	7	7
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	7	7
- others	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**29,069**	**26,872**

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

Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

	Gross amount					Writedowns				
	Stage 1	of which: low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Partial write-offs
Debt securities	29,064	-	-	-	-	(2)	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 12/31/2023	**29,064**	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**-**
Total 12/31/2022	**26,867**	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**-**

Part B - Consolidated Balance Sheet

Section 4 - Financial assets at amortised cost – Item 40

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

(Amounts in € thousand)

Type of transaction/Values	Total 12/31/2023						Total 12/31/2022					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and Stage 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stage 1 and Stage 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
A. Loans and receivables to Central Banks	**269,082**	**-**	**-**	**-**	**-**	**269,082**	**311,357**	**-**	**-**	**-**	**-**	**311,357**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	269,082	-	-	X	X	X	311,357	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and receivables to banks	**2,724,513**	**-**	**-**	**1,757,250**	**711,173**	**107,291**	**3,717,837**	**-**	**-**	**1,604,553**	**1,784,822**	**115,339**
1. Loans	107,291	-	-	-	-	107,291	115,339	-	-	-	-	115,339
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	71,303	-	-	X	X	X	66,486	-	-	X	X	X
1.3. Other loans	35,988	-	-	X	X	X	48,853	-	-	X	X	X
- Reverse repos	397	-	-	X	X	X	261	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	35,591	-	-	X	X	X	48,592	-	-	X	X	X
2. Debts securities	2,617,222	-	-	1,757,250	711,173	-	3,602,498	-	-	1,604,553	1,784,822	-
2.1. Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other	2,617,222	-	-	1,757,250	711,173	-	3,602,498	-	-	1,604,553	1,784,822	-
Total	**2,993,595**	**-**	**-**	**1,757,250**	**711,173**	**376,373**	**4,029,194**	**-**	**-**	**1,604,553**	**1,784,822**	**426,696**

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

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

The item "Other loans: Other" amounting to € 28,489 thousand refers to the amount of the initial and variation margins and collateral deposits placed with credit institutions for derivative transactions and other financial transactions (€ 41,306 thousand as at December 31st, 2022), and € 7,102 thousand to current receivables associated with the provision of financial services (€ 7,286 thousand as at December 31st, 2022).

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

Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

Type of transaction/Values	Total 12/31/2023						Total 12/31/2022					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and Stage 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stage 1 and Stage 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
1. Loans	**6,194,576**	**3,965**	**-**	**-**	**-**	**6,117,838**	**6,442,186**	**3,527**	**-**	**-**	**-**	**6,280,800**
1.1. Current accounts	2,171,981	1,901	-	X	X	X	2,399,917	1,773	-	X	X	X
1.2. Reverse repos	130,069	168	-	X	X	X	138,989	37	-	X	X	X
1.3. Mortgages	2,498,914	1,101	-	X	X	X	2,618,344	934	-	X	X	X
1.4. Credit cards, personal loans and wage assignment	856,918	735	-	X	X	X	891,343	721	-	X	X	X
1.5. Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	536,694	60	-	X	X	X	393,593	62	-	X	X	X
2. Debt securities	**18,748,073**	**-**	**-**	**17,652,735**	**125,890**	**-**	**20,997,394**	**-**	**-**	**19,239,845**	**177,490**	**-**
2.1. Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other	18,748,073	-	-	17,652,735	125,890	-	20,997,394	-	-	19,239,845	177,490	-
Total	**24,942,649**	**3,965**	**-**	**17,652,735**	**125,890**	**6,117,838**	**27,439,580**	**3,527**	**-**	**19,239,845**	**177,490**	**6,280,800**

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

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

The item "Other loans" mainly includes loans granted to Cronos Vita Assicurazioni S.p.A., for a balance sheet amount of € 293,022 thousand (not present as of 31 December 2022), guarantee deposits, initial and variation margins for derivative transactions and other transactions on financial instruments, in the amount of € 103,593 thousand (€ 259,849 thousand as of 31 December 2022), and operating receivables related to the provision of financial services, in the amount of € 136,306 thousand (€ 130,750 thousand as of 31 December 2022).

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

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

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

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

In the table above, repo transactions entered into on the MTS and settled through a Central Counterparty have been shown netted. The effect of netting is shown in table "6. Financial assets subject to accounting offsetting or master netting agreements or similar arrangements" and table "7. Financial liabilities subject to accounting offsetting or master netting agreements or similar arrangements" in Part B - Balance Sheet Information of these notes to the consolidated accounts.

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

4.3 Financial assets at amortized cost: breakdown by debtors/issuers of receivables to customers

(Amounts in € thousand)

Type of transaction / Values	Total 12/31/2023			Total 12/31/2022		
	Stage 1 and Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1 and Stage 2	Stage 3	Purchased or originated credit-impaired
1. Debt securities	**18,748,073**	**-**	**-**	**20,997,394**	**-**	**-**
a) Public Administration	18,748,073	-	-	20,997,394	-	-
b) Other financial company	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial companies	-	-	-	-	-	-
2. Loans to:	**6,194,576**	**3,965**	**-**	**6,442,186**	**3,527**	**-**
a) Public Administration	4	-	-	2	-	-
b) Other financial company	524,682	5	-	381,053	1	-
of which: insurance companies	22,693	-	-	28,909	-	-
c) Non financial companies	1,340	26	-	1,149	17	-
d) Households	5,668,550	3,934	-	6,059,982	3,509	-
Total	**24,942,649**	**3,965**	**-**	**27,439,580**	**3,527**	**-**

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

(Amounts in € thousand)

		Gross amount					Writedowns				Partial write-offs
		Stage 1	of which: low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities		21,371,034	-	-	-	-	(5,739)	-	-	-	-
Loans		6,536,839	-	46,375	24,094	-	(6,922)	(5,343)	(20,129)	-	-
Total	**12/31/2023**	**27,907,873**	**-**	**46,375**	**24,094**	**-**	**(12,661)**	**(5,343)**	**(20,129)**	**-**	**-**
Total	**12/31/2022**	**31,446,950**	**-**	**41,720**	**25,229**	**-**	**(15,294)**	**(4,602)**	**(21,702)**	**-**	**-**

Section 5 – Hedging derivatives – Item 50

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

(Amounts in € thousand)

	Fair Value 12/31/2023			NA	Fair Value 12/31/2022			NA
	L1	L2	L3	12/31/2023	L1	L2	L3	12/31/2022
A. Financial derivatives								
1. Fair value	-	896,577	-	9,070,461	-	1,691,642	-	9,976,612
2. Cash flows	-	-	-	-	-	-	-	-
3. Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**896,577**	**-**	**9,070,461**	**-**	**1,691,642**	**-**	**9,976,612**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

5.2 Hedging derivatives: breakdown by hedged assets and risk (balance sheet value)

(Amounts in € thousand)

Transaction/Type of hedge	Fair Value							Cash-flow hedges		Net investments in foreign subsidiaries
	Micro									
	debt securities and interest rates	equity instruments and index	currencies and gold	credit	commodities	others	Macro	Micro	Macro	
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	684,177	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	196,778	X	-	X
4. Others	-	-	-	-	-	-	X	-	X	-
Total assets	**684,177**	**-**	**-**	**-**	**-**	**-**	**196,778**	**-**	**-**	**-**
1. Financial Liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	15,622	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**15,622**	**-**	**-**	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

Part B - Consolidated Balance Sheet

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

6.1 Fair value change of hedged assets: breakdown by hedged portfolio

(Amounts in € thousand)

Fair value of hedged assets/Amounts	Total 12/31/2023	Total 12/31/2022
1. Positive changes	**75**	**-**
1.1 of specific portfolios:	75	-
a) financial assets at amortized cost	75	-
b) financial assets at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative changes	**(189,378)**	**(266,938)**
2.1 of specific portfolios	(189,378)	(266,938)
a) financial assets at amortized cost	(189,378)	(266,938)
b) financial assets at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**(189,303)**	**(266,938)**

Section 7 - Equity investments - Item 70

7.1 Equity investments: information on shareholders' equity

Denominations	Registred office	Place of business	Relationship type	Shareholding relationships		Vote availability %
				Participating company	Share %	
A. Joint ventures						
B. Companies under significant influence						
Vorvel SIM S.p.A.	Milan	Milan	Significant influence	FinecoBank S.p.A.	20%	20%

As previously described, FinecoBank also holds 100% of Fineco International Ltd, which is excluded from the scope of consolidation. On 26 December 2023, the request for deregistration from the English commercial register was published in the Official Gazette, which will be effective two months from that date, unless an objection to the deregistration is lodged.

For further details on the illustration of the criteria and principles concerning the scope and methods of consolidation, please refer to Section 3 - Part A - Accounting policies.

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

No data to report.

7.3 Significant Shareholdings: accounting information

No data to report.

7.4 Non-significant equity investments: accounting information

(Amounts in € thousand)

Denominations	Equity investments book value	Total assets	Total liabilities	Total earnings	Profit (Loss) of current operativity at net value of levies	Profit (Loss) of operative assets at net value of levies	Profit (Loss) for the year (1)	Other income components at net value of levies (2)	Total earnings (3) = (1) + (2)
Joint ventures									
Companies under significant influence									
Vorvel SIM S.p.A.	1,652	7,919	918	3,291	(354)		(354)	167	(187)

Part B - Consolidated Balance Sheet

7.5 Equity investments: annual changes

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
A. Opening balance	**1,718**	**1,295**
B. Increases	**195**	**700**
B.1 Purchases	-	-
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	195	700
C. Decreases	**(261)**	**(277)**
C.1 Sales	-	-
C.2 Adjustments	(195)	-
C.3 Depreciations	(66)	(276)
C.4 Other changes	-	(1)
D. Closing balance	**1,652**	**1,718**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

During 2023, FinecoBank waived the receivable claimed from Fineco International Ltd, represented by the utilisation of a credit line, consequently increasing the value of the equity investment by € 195 thousand, and then recognised an impairment adjustment of the same amount, completely writing off the value of the equity investment.

Impairment testing of investments

As required by IAS/IFRS, impairment testing of investments is performed when there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the net investment, and these loss events have an impact on the expected future cash flows.

For investments in associates and joint ventures, the process of recognising objective evidence of impairment includes testing for impairment indicators of a qualitative and quantitative nature. In the presence of impairment indicators, the recoverable amount, represented by the higher of fair value less costs to sell and value in use, is determined and if the latter is lower than the carrying amount, an impairment loss is recognised. It is not always necessary to determine both fair value and value in use. If either value is higher than the carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.

To determine the value in use of the investment in Vorvel SIM S.p.A., the only company subject to significant influence, the Discounted Cash Flow (DCF) model was used, where the cost of capital (ke) was calculated using the same values that FinecoBank uses in other models already in use in other contexts, with the exception of Beta for which reference was made to a basket of comparable companies. The results of the impairment test carried out showed a recoverable value that was higher than the value recorded in the financial statements, therefore no impairment adjustment was made. It should be noted that the equity valuation at December 31st, 2023 resulted in a negative economic impact of € 66 thousand.

The method for determining the recoverable amount described above (model, assumptions and parameters used) was approved by the Board of Directors on February 6th, 2024.

As described above, FinecoBank waived the receivable claimed from Fineco International Ltd recognising an impairment adjustment for an amount of € 195 thousand.

7.6 Valuation and significant assumptions to establish the existence of joint control or significant influence

Companies under joint control (joint ventures) are entities for which, on a contractual basis, control is shared between the Group and one or more other counterparties and where the unanimous consent of all parties sharing control is required for decisions relating to significant activities.

Companies subject to significant influence (associates) are entities in which the Group holds, directly or indirectly, at least 20% of the capital, or - although with a lower percentage of voting rights - has the power to participate in determining the financial and operating policies of the investee by virtue of particular legal ties such as participation in shareholders' agreements.

7.7 Commitments related to equity investments in jointly-controlled companies

There are no commitments related to jointly-controlled companies.

7.8 Commitments related to equity investments in companies subject to significant influence

There are no commitments related to companies subject to significant influence.

7.9 Significant restrictions

No data to report.

7.10 Other information

For the equity method valuation of Vorvel SIM S.p.A., preliminary data referring to the accounting date of December 31st 2023 provided by the Company itself were used.

Section 8 – Insurance assets – Item 80

No data to report.

Section 9 - Property, plant and equipment - Item 90

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

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2023	Total 12/31/2022
1. Owened assets	**86,930**	**84,653**
a) lands	23,932	23,932
b) buildings	38,795	39,487
c) office furniture and fittings	2,794	3,042
d) electronic system	18,771	15,835
e) other	2,638	2,357
2. Assets under financial lease	**59,567**	**61,555**
a) lands	296	-
b) buildings	58,669	61,039
c) office furniture and fittings	-	-
d) electronic system	4	-
e) other	598	516
Total	**146,497**	**146,208**
of which: obtained through enforcement of the guarantees received	-	-

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the notes to the consolidated accounts. The Group has operational leasing transactions in place consisting of leases of the surface of the property owned.

Part B - Consolidated Balance Sheet

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

No data to report.

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

No data to report.

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

No data to report.

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

No data to report.

9.6 Property, plant and equipment used in the business: annual changes

(Amounts in € thousand)

	Lands	Buildings	Office furniture and fittings	Electronic systems	Others	Total
A. Gross opening balance	**23,932**	**137,667**	**19,960**	**53,381**	**13,905**	**248,845**
A.1 Total net reduction in value	-	(37,141)	(16,918)	(37,546)	(11,032)	(102,637)
A.2 Net opening balance	**23,932**	**100,526**	**3,042**	**15,835**	**2,873**	**146,208**
B. Increases:	**381**	**14,051**	**898**	**9,243**	**1,490**	**26,063**
B.1 Purchases	-	9,642	897	9,207	1,489	21,235
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increase in fair value recognised	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	X	X	X	-
B.7 Other changes	381	4,409	1	36	1	4,828
C. Decreases:	**(85)**	**(17,113)**	**(1,146)**	**(6,303)**	**(1,127)**	**(25,774)**
C.1 Sales	-	-	-	(38)	-	(38)
C.2 Depreciation	(85)	(12,491)	(1,134)	(6,259)	(1,098)	(21,067)
C.3 Impairment losses recognised	-	(59)	(10)	(2)	(6)	(77)
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	(59)	(10)	(2)	(6)	(77)
C.4 Decreases in fair value recognised	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	X	X	X	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	(4,563)	(2)	(4)	(23)	(4,592)
D. Net closing balance	**24,228**	**97,464**	**2,794**	**18,775**	**3,236**	**146,497**
D.1 Total net reduction in value	(132)	(45,871)	(17,874)	(36,719)	(11,692)	(112,288)
D.2 Gross closing balance	**24,360**	**143,335**	**20,668**	**55,494**	**14,928**	**258,785**
E. Carried at cost	24,228	97,464	2,794	18,775	3,236	146,497

The asset classes specified in the table above are carried at cost.

Items B.7 and C.7 "Other changes" include, in addition to the changes deriving from the application of IFRS16, the changes in the activities consisting of the right of use due to the changes made to the payments due for the leasing after the initial recognition. Below is the amount of changes by type of asset.

(Amounts in € thousand)

	Land	Buildings	Furniture and fittings	Electronic systems	Other	Total
Other increases due to changes in rights of use	16	4,409				**4,425**
Other decreases due to changes in rights of use		(2,461)			(21)	**(2,482)**

Part B - Consolidated Balance Sheet

9.7 Property, plant and equipment held for investment: annual changes

No data to report.

9.8 Inventories of property, plant and equipment regulated by IAS 2: annual changes

No data to report.

9.9 Commitments to purchase property, plant and equipment

As at December 31st, 2023 the Group had contractual commitments to purchase property, plant and equipment amounting to € 89 thousand.

We also report that there are no restrictions on the ownership of tangible assets and there are no tangible assets pledged as security for liabilities.

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by assets type

(Amounts in € thousand)

Activities/Values	Total 12/31/2023		Total 12/31/2022	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	**89,602**	X	**89,602**
A.1.1 attributable to the group	X	89,602	X	89,602
A.1.2 attributable minorities	X	-	X	-
A.2 Other intangible asset	**7,006**	**27,459**	**9,328**	**27,459**
of which: software	7,000	-	9,290	-
A.2.1 Assets valued at cost:	7,006	27,459	9,328	27,459
a) Intangible assets generated internally	-	-	-	-
b) Other assets	7,006	27,459	9,328	27,459
A.2.2 Assets valued at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**7,006**	**117,061**	**9,328**	**117,061**

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

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

With regard to the considerations conducted as of December 31st, 2023 regarding the impairment test of intangible assets with finite and indefinite useful lives, specifically goodwill, trademarks, and Fineco domains, there are no indicators that would require adjustments to the related carrying amounts. For further details regarding the impairment test of intangible assets with indefinite useful lives, please refer to the paragraphs below.

10.2 Intangible assets: annual changes

(Amounts in € thousand)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: others		Total
		FIN	INDEF	FIN	INDEF	
A. Gross opening balance	**124,729**	**-**	**-**	**110,690**	**27,459**	**262,878**
A.1 Total net reduction in value	(35,127)	-	-	(101,362)	-	(136,489)
A.2 Net opening balance	**89,602**	**-**	**-**	**9,328**	**27,459**	**126,389**
B. Increases	**-**	**-**	**-**	**3,673**	**-**	**3,673**
B.1 Purchases	-	-	-	3,673	-	3,673
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value recognised:	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**(5,995)**	**-**	**(5,995)**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	(5,995)	-	(5,995)
- Amortisations	X	-	-	(5,995)	-	(5,995)
- Write-downs	-	-	-	-	-	-
+ in equity	X	-	-	-	-	-
+ through profit or loss	-	-	-	-	-	-
C.3 Decreases in fair value	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
C.4 Transfers to non-current assets and discontinued operations	-	-	-	-	-	-
C.5 Negative exchange differrences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**89,602**	**-**	**-**	**7,006**	**27,459**	**124,067**
D.1 Total net impairments	(35,127)	-	-	(107,357)	-	(142,484)
E. Gross closing balance	**124,729**	**-**	**-**	**114,363**	**27,459**	**266,551**
F. Carried at cost	89,602	-	-	7,006	27,459	124,067

Key
FIN: finite life
INDEF: indefinite life

The asset classes specified in the table above are carried at cost.

10.3 Other information

As at December 31st, 2023 the Group had contractual commitments to purchase intangible assets amounting to € 2,212 thousand.

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

Other information – Intangible assets indefinited life Impairment test

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

Recoverable value is the greater of the value in use (present value of future cash flows generated by the asset being valued) and the associated fair value, net of sales costs. It is not always necessary to determine both fair value and value in use. If either value is higher than the carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.

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

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

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

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

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

Definition of CGU

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

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

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

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

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

Impairment test model

The calculation of the value in use for the purposes of impairment testing is made using the Discounted Cash Flow (DCF) model. The cash flows are determined by subtracting the annual capital requirement generated by the change in the risk-weighted assets from net profit. This capital requirement is determined by considering the long-term capitalisation to be achieved, also in light of the minimum regulatory capital requirements.

Part B - Consolidated Balance Sheet

Cash flows

The discounted cash flow model used is based on future cash flows estimated by management in four steps:

- year 2024, in which the budget figures were considered (submitted for approval by the Board of Directors on December 14th, 2023);
- years 2025-2026, which consider the figures of the multiyear plan approved by the Board of Directors on December 14th, 2023;
- intermediate period of five years from 2027 to 2031, for which the forecasts of the financial flows are projected by applying beginning in the last explicit estimate period (2026) rates of growth decreasing up to 2% to the terminal value (TV);
- terminal value calculated using a nominal growth rate of 2%. The average Eurozone actual GDP rate from 2013 to 2022 was 3.6% (of which 2.0% due to inflation).

Discount rates of cash flows

Future financial flows were discounted using a conservative estimate of the discount rate, incorporating the risk factors linked to the business sector into the cost of equity (Ke). The discount rate is a nominal rate, net of taxes.

In particular, the cost of capital for the Bank is the sum of the following:

- Risk-free rate: the daily average at 3 months of the 10-year Btp (equal to 4.52%)
- Equity Risk Premium - ERP (Beta * Market Risk Premium): calculated using the value of 6.20% as a premium for the risk offered by the stock market compared to the risk-free investment (Rm-Rf) and as Beta (coefficient that links the performance of the stock to that of the stock market) the 5-year daily average of the Fineco share compared to FTSEMIB and SXXP indices.

The cost of capital in 2026 is calculated considering the average expected return of the 10-year BTP expected in 2026 as risk free (3-months average, equal to 4.01%); the ERP is instead kept the same as that calculated for 2024. The 2026 cost of capital is then maintained steady until the TV.

Impairment test results

The methodology for calculating the value in use described above (model, assumptions and parameters used) was approved by the Board of Directors on December 14th, 2023. For the impairment testing the carrying amount of the goodwill, the brand (including domains) and Shareholders' equity was compared with its value in use calculated using that methodology. The outcome of the tests, approved by the Board of Directors on February 6th, 2024, confirmed the sustainability of the goodwill and the brand recognised in the financial statements as at December 31st, 2023, with the value in use significantly higher than the carrying amount. It should be noted that the value of "FinecoBank" shares resulted in a market capitalisation of € 8,295 million at December 31st, 2023, markedly higher than the Bank's assets and the results provided by the model used for the impairment test, which confirms the implementation of prudent criteria for calculation of the value in use.

Sensitivity analysis

Given the complexity of the measurement process and the uncertainty involved in making forecasts on future profitability, especially in the long term, some sensitivity analyses were carried out assuming changes to the main parameters used in the impairment test.

The table below shows the change in the value in use, net of book value, of brand and of shareholders' equity, in relation to changes in the main parameters used in the DCF model underlying the impairment test.

	1% increase of the discount rate after taxes (ke)	1% increase of core tier 1 ratio target	1% decrease of the nominal growth rate for the calculation of terminal value	5% decrease of annual earnings	Use of core tier 1 ratio as at 12/31/2023 (24.34%)
Change of value in use	-10.1%	-0.3%	-6.4%	-5.2%	-2.8%

The results confirm the sustainability of the goodwill recognised in the financial statements, as none of the scenarios hypothesised revealed the need for a write-down, as the value in use, calculated applying those variations, was much higher than the book value.

It should also be noted that the impairment test reaches the break-even assuming changes in the above parameters that are currently unreasonable. The impairment test reached a break-even with an absolute positive change in the discount rate after tax (Ke) of around 24 percentage points, i.e. with a reduction of around 55% of annual earnings (while maintaining all the other parameters and information used unchanged, in both scenarios).

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

The item "Tax assets" amounting to € 49,997 thousand at December 31st, 2023, it is exclusively made of Deferred tax assets", already net of the set-off against "Deferred tax liabilities" for € 4,436 thousand.

The item "Tax liabilities" amounting to € 86,706 thousand at the same date, it is exclusively made of "Current tax liabilities", already net of the set-off against tax advances 2023. There are not "Deferred tax liabilities" as they are offset against "Deferred tax assets" for € 4,436 thousand.

Current Tax Assets and Liabilities

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2023	Total 12/31/2022
Current tax assets	-	-
Current tax liabilities	86,706	42,627

Deferred tax assets/liabilities

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

- "Deferred tax assets" of € 52,399 thousand recognised as a balancing entry in the income statement;
- "Deferred tax assets" of € 2,032 thousand recognised as a balancing entry of shareholders' equity;
- "Deferred tax liabilities" of € 3,921 thousand recognised as a balancing entry in the income statement;
- "Deferred tax liabilities" of € 513 thousand recognised as a balancing entry of shareholders' equity.

In accordance with the law and regulations currently in force:

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

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

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

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

Part B - Consolidated Balance Sheet

11.1 Deferred tax assets: breakdown

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2023	Total 12/31/2022
Allocations through profit or loss	**50,784**	**45,897**
- of which Patent Box ex D.L. n.3/2015	17,186	13,186
- of which Provisions for Risks and Charges	23,062	19,455
- of which Realignment of goodwill art. 110 of D.L. n. 104/2020	9,603	9,807
- of which Other	933	3,449
Allocations through equity	**2,032**	**1,926**
- of which Revaluation reserve application IAS 19	750	-
- of which Financial assets at fair value through comprehensive income	1,282	1,926
Impairment losses on receivables (of which pursuant to Law 214/2011)	**1,615**	**2,407**
Total before IAS 12 offset	**54,431**	**50,230**
Offset against deferred tax liabilities - IAS 12	(4,434)	(3,653)
Total	**49,997**	**46,577**

11.2 Deferred tax liabilities: breakdown

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2023	Total 12/31/2022
Allocations through profit or loss	**3,921**	**3,057**
- of which Goodwill and Brand	3,824	2,943
- of which Other	97	114
Allocations through equity	**513**	**596**
- of which Revaluation reserve application IAS 19	513	596
Total before IAS 12 offset	**4,434**	**3,653**
Offset against deferred tax assets - IAS 12	(4,434)	(3,653)
Total	**-**	**-**

Part B - Consolidated Balance Sheet

11.3 Changes in deferred tax assets (through profit or loss)

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
1. Opening balance	**48,304**	**44,779**
2. Increases	**11,583**	**8,537**
2.1 Deferred tax assets recognised in the year	11,557	8,537
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) others	11,557	8,537
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	26	-
3. Decreases	**(7,488)**	**(5,012)**
3.1 Deferred tax assets cancelled in the year	(4,854)	(4,904)
a) reversals of temporary differences	(4,854)	(4,904)
b) write-downs of non-recoverable items	-	-
c) changes in accountable policies	-	-
d) others	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	(2,634)	(108)
a) conversion of tax credits as per Law 214/2011	-	-
b) others	(2,634)	(108)
4. Closing balance	**52,399**	**48,304**

Increases in deferred tax assets recognized during the year with a balancing entry in the income statement refer, mainly, to the tax benefit associated with the Patent Box regime under Decree Law No. 3 of 2015 for the year 2023 and to provisions for risks and charges. Decreases refer, mainly, to uses or releases of provisions for risks and charges.

11.4 Changes in deferred tax assets under Law 214/2011

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
1. Opening balance	**2,407**	**2,772**
2. Increases	**-**	**-**
3. Decreases	**(792)**	**(365)**
3.1 Reversals	(792)	(365)
3.2 Conversion into tax credits	-	-
a) resulting from operating losses	-	-
b) resulting from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,615**	**2,407**

Decreases refer to the deduction of write-downs and losses on loans to customers according to the reabsorption plan provided by Decree Law No. 83 of 2015 as amended by Law No. 145 of 2018 and Law No. 160 of 2019 and subsequently by Article 42 of Decree Law No. 17 of 2022. Law No. 213 of 2023 rescheduled the repayment plan for pre-2016 customer loans starting with the portions referring to 2024.

Part B - Consolidated Balance Sheet

11.5 Changes in deferred tax liabilities (through profit or loss)

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
1. Opening balance	**3,057**	**2,148**
2. Increases	**895**	**1,060**
2.1 Deferred tax liabilities arising during the year	895	973
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	895	973
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	87
3. Decreases	**(31)**	**(151)**
3.1 Deferred tax liabilities de-recognised during the year	(29)	(151)
a) reversals of temporary differences	-	(151)
b) due to changes in accounting policies	-	-
c) others	(29)	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	(2)	-
4. Closing balance	**3,921**	**3,057**

Increases in deferred tax liabilities recognised in the year as a balancing entry in the income statement refer to the recognition of deferred tax liabilities on the amortisation of the brand and goodwill subject to realignment pursuant to Article 110 of Legislative Decree 104/2020.

11.6 Changes in deferred tax assets (through equity)

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
1. Opening balance	**1,926**	**1,048**
2. Increases	**749**	**1,926**
2.1 Deferred tax assets recognised in the year	749	1,926
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	749	1,926
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(643)**	**(1,048)**
3.1 Deferred tax assets cancelled in the year	(643)	(1,048)
a) reversals of temporary differences	(643)	(1,048)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**2,032**	**1,926**

Increases in deferred tax assets recognized during the year as an offset to equity relate to actuarial losses recognized in shareholders' equity as part of the valuation reserves in application of the provisions of IAS 19 Revised. Decreases in deferred tax assets recognized in the year through equity refer to write-backs on securities classified in “Financial assets at fair value through other comprehensive income” item.

Part B - Consolidated Balance Sheet

11.7 Changes in deferred tax liabilities (through equity)

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
1. Opening balance	**596**	**705**
2. Increases	**-**	**94**
2.1 Deferred tax assets recognised in the year	-	94
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	-	94
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(83)**	**(203)**
3.1 Deferred tax assets cancelled in the year	(83)	(203)
a) reversals of temporary differences	(83)	(203)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases:	-	-
4. Other decreases	**513**	**596**

Decreases in deferred tax liabilities recognised during the year through equity refer to actuarial losses recognized in shareholders' equity as part of the valuation reserves in application of the provisions of IAS 19 Revised.

11.8 Other information

No information to report.

Part B - Consolidated Balance Sheet

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

No information to report.

Section 13 – Other assets – Item 130

13.1 Other assets: breakdown

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
Trade receivables according to IFRS15	8,049	7,896
Tax credits purchased	1,618,030	1,093,255
Current receivables not related with the provision of financial services	3,730	2,050
Receivables due to disputed items not deriving from lending	129	129
Improvement and incremental expenses incurred on leasehold assets	2,809	3,691
Definitive items not recognised under other items:	20,191	19,673
- securities and coupons to be settled	541	3,589
- other transactions	19,650	16,084
Tax items other than those included in the item "Tax assets":	258,290	295,937
- tax advances	254,217	290,700
- tax credit	4,073	5,237
Items awaiting settlement	4,594	4,153
Items in processing	10,817	7,753
- POS, bancomat and Visa debit	10,813	7,749
- Others	4	4
Items in transit not allocated to relevant accounts	-	1
Accrued income and prepaid expenses other than those related to contracts to customers and other than capitalised in related financial assets or liabilities	26,042	16,980
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	76,585	80,407
Total	**2,029,266**	**1,531,925**

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

It should be noted that among the Tax Credits pursuant to art. 121 of Law Decree 34/2020 acquired by FinecoBank on the secondary market, for a total amount of around € 393 million, there are also credits that have been subject to preventive seizure in criminal proceedings, purchased for a total amount of around € 56 million. Given the Bank's total extraneousness to the facts under investigation, in these Consolidated Financial Statements the aforesaid receivables have remained recognised as tax receivables (item "Tax credits acquired"), in light of the principle according to which, where it is found that the assigning taxpayer had no right to deduction, the assignees are only liable for any use of the tax credit in an irregular manner or to an extent greater than the tax credit received (paragraph 6 of Art. 121 cited above) or in the case of complicity with fraud or gross negligence, with the latter being excluded in the case of the acquisition of all the prescribed documentation (see paragraph 6-bis inserted in Article 121 of LD 34/2020 by Decree-Law No. 11 of February 16th, 2023). In this regard, it should also be noted that: i) since this was a sub-transfer, there was no relationship between FinecoBank and the original beneficiary of the deduction and that, in line with best practice, FinecoBank has put in place a series of in-depth controls, also with the support of specialised companies, so as to prevent any form of liability; (ii) both the clauses and protections included in the contract of assignment of the receivables in question and the rules referred to therein (in particular, Articles 1260 et seq. of the Civil Code) provide adequate protection in favour of FinecoBank, which can claim rights both in terms of the possible termination of the assignment (with the related restitutionary consequences) and in terms of compensation. It should also be noted that, pursuant to Decree-Law No. 4 of January 27th, 2022, converted into Law No. 25 of March 28th 2022, Article 28-ter, in the event that the tax credits pursuant to Articles 121 and 122 of Decree-Law No. 34 of 2020 cannot be utilised because they are subject to seizure ordered by the judicial authorities, the term for the utilisation of the residual portions at the time of the termination of the seizure is increased by a period equal to the duration of the seizure itself.

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The following table “Periodic Change of Accrued Income/Expenses and Prepaid Expenses/Income” discloses the changes incurred in the sub-items “Accrued income and prepaid expenses related to contracts with customers other than capitalised on related financial assets or liabilities” and “Accrued expenses and prepaid income related to contracts with customers other than capitalised on related financial assets or liabilities” reported in the tables “Other assets: breakdown” and “Other liabilities: breakdown” (Section 8 - Liabilities of this Part B of these Notes to the consolidated accounts), respectively, as required by the par. 118 of the IFRS15.

Periodic Change of Accrued Income/Expenses and Prepaid Expenses/Income

(Amounts in € thousand)

	Accrued income and prepaid expenses 12/31/2023	Accrued expenses and prepaid income 12/31/2023
Opening balance	**80,407**	**19,572**
Increases	**47,954**	**14,038**
a) external acquisition	-	-
b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS 15 Par 118.b)	-	-
c) reversal of impairment of a contract asset (IFRS 15 Par 118.c)	-	-
d) change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS 15 Par 118.d)	-	-
e) change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability (IFRS 15 Par 118.e)	-	-
f) other	47,954	14,038
Decreases	**(51,776)**	**(14,415)**
a) external acquisition	-	-
b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS 15 Par 118.b)	-	-
c) impairment of a contract asset (IFRS 15 Par 118.c)	(335)	-
d) change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS 15 Par 118.d)	-	-
e) change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability (IFRS 15 Par 118.e)	-	-
f) other	(51,441)	(14,415)
Closing balances	**76,585**	**19,195**

The item "Increases f) other" includes the value as at December 31st, 2023 of the accruals that arose in the year 2023. The item “Decreases f) other" includes the reversal to profit and loss, for the portion pertaining to the year 2023, of the accruals existing at 31 December 2022.

With regard to the information required by parag. 120 of IFRS15 ("Transaction price allocated to the remaining performance obligations"), below a quantitative disclosure will be provided with the expected duration (“within 1 year” and “over 1 year”) of "Accrued income related to contracts with customers other than capitalised on the related financial assets or liabilities" and "Deferred income related to contracts with customers other than capitalised on the related financial assets or liabilities".

Transaction price allocated to the remaining performance obligations

(Amounts in € thousand)

	Expected duration of performance <=1 year 12/31/2023	Expected duration of performance >1 year 12/31/2023
Unsatisfied (or Partially Unsatisfied) Performance Obligations - Duration - Other Assets (IFRS 15 Par 120a)	21,604	-
Unsatisfied (or Partially Unsatisfied) Performance Obligations - Duration - Other Liabilities (IFRS 15 Par 120a)	1,399	5,061
Total	**23,003**	**5,061**

The aggregate amount of revenues from services to customers related to the portion of performance obligations not yet satisfied, showed in the table above is equal to € 28,063 thousand. 82% of this amount regards performance obligations expected to be satisfied by the next year-end reporting date.

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Liabilities

Section 1 - Financial liabilities at amortised cost - Item 10

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

(Amounts in € thousand)

Transactions type/Amounts	Total 12/31/2023				Total 12/31/2022			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**-**	X	X	X	**-**	X	X	X
2. Deposits from banks	**866,978**	X	X	X	**1,677,235**	X	X	X
2.1 Other current accounts and demand deposits	1,205	X	X	X	7,812	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	50,786	X	X	X	55,321	X	X	X
2.3.1 Repos	50,786	X	X	X	55,321	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Liabilities relating of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	3,487	X	X	X	3,691	X	X	X
2.6 Other liabilities	811,500	X	X	X	1,610,411	X	X	X
Total	**866,978**	**-**	**-**	**866,978**	**1,677,235**	**-**	**-**	**1,677,235**

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

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

Item 2.6 Other liabilities mainly includes variation margins received for derivative transactions.

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

Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

Transactions type/Amounts	Total 12/31/2023				Total 12/31/2022			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	27,704,387	X	X	X	30,538,691	X	X	X
2. Time deposits	695,275	X	X	X	-	X	X	X
3. Loans	133,930	X	X	X	930,840	X	X	X
3.1 Reverse repos	133,930	X	X	X	930,840	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Liabilities relating of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease payables	57,895	X	X	X	59,660	X	X	X
6. Other liabilities	166,102	X	X	X	166,456	X	X	X
Total	**28,757,589**	**-**	**31,513**	**28,724,579**	**31,695,647**	**-**	**-**	**31,695,647**

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

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

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

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

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

In the table above, repo transactions entered into on the Repo MTS and settled through a Central Counterparty have been shown netted. The effect of netting is shown in table "6. Financial assets subject to accounting offsetting or master netting agreements or similar agreements" and table "7. Financial liabilities subject to accounting offsetting or master netting agreements or similar agreements" in Part B - Balance Sheet Information of these notes to the consolidated accounts.

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

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

(Amounts in € thousand)

Type of securities/Values	Total 12/31/2023				Total 12/31/2022			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3	00/01/1900	L1	L2	L3
A. Debts securities including bonds								
1. bonds	809,264	777,598	-	-	497,926	428,061	-	-
1.1 structured	-	-	-	-	-	-	-	-
1,2 other	809,264	777,598	-	-	497,926	428,061	-	-
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**809,264**	**777,598**	**-**	**-**	**497,926**	**428,061**	**-**	**-**

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

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

1.4 Breakdown of subordinated deposits/securities

No data to report.

1.5 Breakdown of structured deposits/securities

No data to report.

1.6 Amounts payable under leases

(Amounts in € thousand)

Items/Time buckets	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Lease liabilities	**11,104**	**10,792**	**8,453**	**7,203**	**6,355**	**17,475**
- Lease liabilities - Banks	420	442	452	462	473	1,238
- Lease liabilities - Customers	10,684	10,350	8,001	6,741	5,882	16,237

The amount of cash flows for leasing paid during 2023 is equal to € 12,776 thousand.

Part B - Consolidated Balance Sheet

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: product breakdown

(Amounts in € thousand)

Transactions type/Amounts	Total 12/31/2023					Total 12/31/2022				
	NA	Fair Value			Fair Value *	NA	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	29	2,210	-	3	2,213	593	396	-	3	399
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total (A)	**29**	**2,210**	**-**	**3**	**2,213**	**593**	**396**	**-**	**3**	**399**
B. Derivatives										
1. Financial derivatives	X	3,114	1,670	-	X	X	2,788	1,387	-	X
1.1 Trading derivatives	X	3,114	1,670	-	X	X	2,788	1,387	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credits derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**3,114**	**1,670**	**-**	**X**	**X**	**2,788**	**1,387**	**-**	**X**
Total (A+B)	**X**	**5,324**	**1,670**	**3**	**X**	**X**	**3,184**	**1,387**	**3**	**X**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3
FV* = Fair value calculated excluding the changes in value due to the change in the issuer's credit rating since the issue date

Financial derivatives refer to the negative valuation of CFD, Knock Out Options and Certificates issued, as well as derivative contracts regulated or entered into with institutional counterparties used for the operational hedging of the above mentioned derivatives, for a total amount of € 3,347 thousand (€ 1,784 thousand as at December 31st, 2022).

Sub-item B.1.1 “Derivative instruments - Trading financial derivatives” includes the negative valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"), for a total amount of € 1,436 thousand (€ 2,391 thousand as at December 31st, 2022).

2.2 Breakdown of “Financial liabilities held for trading”: subordinated liabilities

No data to report.

Part B - Consolidated Balance Sheet

2.3 Breakdown of "Financial liabilities held for trading": structured debts

No data to report.

Section 3 – Financial liabilities designated at fair value – Item 30

No data to report.

Section 4 – Hedging derivatives – Item 40

4.1 Hedging derivatives: breakdown by type of hedge and by level

(Amounts in € thousand)

	Fair value 12/31/2023			NA 12/31/2023	Fair value 12/31/2022			NA 12/31/2022
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**59,988**	**-**	**2,857,000**	**-**	**63,752**	**-**	**3,420,000**
1) Fair value	-	59,988	-	2,857,000	-	63,752	-	3,420,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**59,988**	**-**	**2,857,000**	**-**	**63,752**	**-**	**3,420,000**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Part B - Consolidated Balance Sheet

4.2 Hedging derivatives: breakdown by hedged assets and risk

(Amounts in € thousand)

Transactions/Type of hedge	Fair Value							Cash flow		Net investment in foreign subsidiaries
	Micro									
	Debt securities and interest rates	Equities and equity index	Currencies and gold	Credit	Commodity	Others	Macro	Micro	Macro	
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at ammortised cost	32,460	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**32,460**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	27,528	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**27,528**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities Portfolio	X	X	X	X	X	X	-	X	-	-

Section 5 – Changes in fair value of portfolio hedged financial liabilities – Item 50

5.1 Changes to macro-hedged financial liabilities

(Amounts in € thousand)

Adjustments to the value of hedged liabilities/Components of the group	Total 12/31/2023	Total 12/31/2022
1. Positive changes to financial liabilities	1,271	-
2. Negative changes to financial liabilities	(32,547)	(66,932)
Total	**(31,276)**	**(66,932)**

Section 6 – Tax liabilities – Item 60

See section 11 of assets.

Section 7 – Liabilities included in disposal groups classified as held for sale – Item 70

See section 12 of assets.

Part B - Consolidated Balance Sheet

Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

(Amounts in € thousand)

Items/Amounts	Total 12/31/2023	Total 12/31/2022
Payables to Directors and Statutory auditors	257	241
Payables to employees	18,920	17,305
Social security contributions payable	8,745	7,717
Current payables not related to the provision of financial services	43,107	42,589
Definitive items not recognised under other items:	66,471	45,955
- securities and coupons to be settled	28,128	10,318
- payment authorisations	22,705	24,480
- other items	15,638	11,157
Tax items other than those included in the item "Tax liabilities":	71,993	55,995
- sums withheld from third parties as withholding agent	39,741	31,631
- other	32,252	24,364
Illiquid items for portfolio transactions	1,500	2,017
Items awaiting settlement:	180,008	130,091
- outgoing bank transfers	152,839	115,172
- POS and ATM cards	27,169	14,919
Items in processing:	2,785	880
- incoming bank transfers	1,326	808
- other items in processing	1,459	72
Accrued expenses and deferred income other than those related to contracts with customers and other than capitalised on the related financial assets or liabilities	240	275
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	19,195	19,572
Sums available to be paid to customers	8,013	11,715
Total	**421,234**	**334,352**

Part B - Consolidated Balance Sheet

Section 9 – Provisions for employee severance pay – Item 90

9.1 Provisions for employee severance pay: annual changes

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
A. Opening balance	**3,942**	**5,033**
B. Increases	**490**	**49**
B.1 Provision of the year	158	49
B.2 Other increases	332	-
C. Decreases	**(54)**	**(1,140)**
C.1 Severance payments	(54)	(43)
C.2 Other decreases	-	(1,097)
D. Closing balance	**4,378**	**3,942**
Total	**4,378**	**3,942**

Item B.2 Other increases includes the increase in provisions for employee severance pay as a result of the actuarial valuation, performed in accordance with IAS 19 Revised, recognised as an offsetting entry to revaluation reserves.

9.2 Other information

The “TFR” provision for Italy-based employee benefits is considered to be a “post-retirement defined benefit”. It is therefore recognized on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see Part A.2 – The Main Items of the Accounts).

The Provision for employee severance pay covers the amount of the rights accrued in that respect up to December 31st, 2023 by employees, under current legal regulations, as well as national collective bargaining agreements and supplementary company agreements.

The current year was affected by the normal events referable to the severance indemnity fund in accordance with the provisions of the law and the company agreements in force.

In 2007, the new supplementary pension reform pursuant to Legislative Decree no. 252/2005 became effective and, as a result the amounts accrued up to December 31st, 2006 were kept with the Company, whilst the amounts of employee severance pay provision accruing as of January 1st, 2007 were transferred to the supplementary pension funds or the INPS Treasury fund according to the option adopted by the employees (within June 30th, 2007). The result is that:

- the employee severance fund accrued up to December 31st, 2006 (or until the date of the option - falling between January 1st, 2007 and June 30th, 2007 - adopted by the employees if they decided to transfer their employee severance pay provision to a supplementary pension fund) continues to be a "defined-benefit" plan and therefore subject to actuarial valuation, although based on simplified actuarial assumptions which no longer take account of estimated future pay rises;
- the amounts accrued from January 1st, 2007 (or from the date of the option - falling between January 1st, 2007 and June 30th, 2007 - by the employees if they decided to transfer their employee severance pay provision to a supplementary pension fund), were considered as a “defined-contribution" plan (as the Company's liability ceases at the time it pays the employee severance pay provision accrued to the pension fund chosen by the employee) and therefore the related cost for the period is equal to the amounts paid to the Supplementary Pension fund or the INPS Treasury fund.

The following table shows the main actuarial assumptions used to remeasure the liability.

Description of the main actuarial assumptions	12/31/2023	12/31/2022
Discount rate	3.45%	4.10%
Expected inflation rate	2.00%	2.50%

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(Amounts in € thousand)

Employee severance pay provision: other information	Total 12/31/2023	Total 12/31/2022
Provisions for the year	**158**	**49**
- Current service cost	-	-
- Interest expense on defined benefit obligations	158	49
- Gains and losses on curtailments and settlements	-	-
- Past service cost	-	-
Actuarial gains (losses) recognised in revaluation reserves (OCI)	**332**	**(1,097)**
- Actuarial gains (losses) for the year	220	(61)
- Actuarial gains/losses on demographic assumptions	-	-
- Actuarial gains/losses on financial assumptions	112	(1,036)

As required by IAS 19 Revised, a sensitivity analysis was conducted aimed at identifying how the present value of the liability changes when the actuarial assumptions considered most significant are changed, while keeping the other actuarial assumptions constant. A change of -25 basis points in the discount rate would result in an increase in the liability of € 83 thousand (+1.90%), whereas an equivalent increase in the rate would result in a reduction of the liability of € 81 thousand (-1.84%). A change of -25 basis points in the inflation rate would result in a decrease in the liability of € 49 thousand (-1.12%), whereas an equivalent increase in the rate would result in an increase in the liability of € 50 thousand (+1.14%).

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions risk and charges: breakdown

(Amounts in € thousand)

Items/Components	Total 12/31/2023	Total 12/31/2022
1. Provisions for credit risk of commitments and financial guarantees given	226	36
2. Provisions for other commitments and other guarantees given	78	38
3. Provisions for retirement payments and similar obligations	-	-
4. Other provisions for risks and charges	138,862	105,291
4.1 legal and tax disputes	27,308	27,417
4.2 staff expenses	7,812	6,799
4.3 other	103,742	71,075
Total	**139,166**	**105,365**

Item 4.1 “legal and tax disputes” mainly includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties for € 23,817 thousand (€ 24,000 thousand as at December 31st, 2022) and provisions for tax disputes (penalties and interest) for € 3,491 thousand (€ 3,417 thousand as at December 31st, 2022). In addition to the costs incurred by the Group in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Group in ongoing disputes. This estimate was determined by the Group in relation to the ongoing litigation to the extent that it is believed that they will not be reimbursed by the counterparties, mainly on the basis of the Forensic Tariffs envisaged by current legislation.

Item 4.2 “staff expenses” includes, mainly, the provisions made for the variable remuneration to be paid to employees in subsequent years, which have an uncertain due date and/or amount.

Item 4.3 “Other” includes the Supplementary customer indemnity provision, of € 89,948 thousand (€ 68,584 thousand as at December 31st, 2022), Contractual Indemnity Fund and non-competition agreements, of € 220 thousand (€ 189 thousand as at December 31st, 2022) and other provisions made for risks related to the Group’s business and operations, of € 13,574 thousand (€ 2,108 thousand as at December 31st, 2022), including, in particular, the obligations arising from the cost rebalancing agreement that the Parent Company signed with the other distributing banks as part of the operation aimed at protecting Eurovita policyholders previously described and the provisions made for training events for personal financial advisors.

10.2 Provisions for risks and charges: annual changes

(Amounts in € thousand)

	Provisions for other commitments and other guarantees given	Provisions for retirement payments and similar obligations	Other provisions for risks and charges	Total
A. Opening balance	**38**	**-**	**105,291**	**105,329**
B. Increases	**40**	**-**	**46,611**	**46,651**
B.1 Provisions for the year	40	-	27,799	27,839
B.2 Changes due to the passage of time	-	-	3,357	3,357
B.3 Changes due to variations in the discount rate	-	-	212	212
B.4 Other increases	-	-	15,243	15,243
C. Decreases	**-**	**-**	**(13,040)**	**(13,040)**
C.1 Amounts used in the year	-	-	(12,512)	(12,512)
C.2 Changes due to variations in the discount rate	-	-	(127)	(127)
C.3 Other decreases	-	-	(401)	(401)
D. Closing balance	**78**	**-**	**138,862**	**138,940**

Item B.1 Provisions for the year includes net provisions recognised in the income statement. Item C.1 Utilisation during the year includes only monetary utilisations.

Item B.3 Other changes includes the increase in the provision for agents' termination indemnity and the contractual indemnity provision as a result of the actuarial valuation, carried out in accordance with IAS 19 Revised, recognised as an offsetting entry to the valuation reserves.

It should be noted that “Other changes” include transfers between claims and pending litigation, relating to legal and tax disputes recognised in “other provisions for risks and charges”, as shown in table 10.6 Provisions for risks and charges - other provisions.

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

(Amounts in € thousand)

	Funds for credit risk related to financial obligation and warranties release				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total
1. Loan commitments given	186	-	37	-	223
2. Financial guarantees given	3	-	-	-	3
Total	**189**	**-**	**37**	**-**	**226**

Part B - Consolidated Balance Sheet

10.4 Provisions on other commitments and other guarantees given

(Amounts in € thousand)

Items/Components	Total 12/31/2023	Total 12/31/2022
1. Other guarantees given	-	-
2. Other commitments	78	38
Total	**78**	**38**

10.5 Pensions and other post-retirement defined-benefit obligations

No data to report.

10.6 Provisions for risks and charges - other provisions

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
Legal and fiscal disputes	**27,308**	**27,417**
- Pending cases	21,305	19,661
- Complaints	2,512	4,339
- Tax disputes	3,491	3,417
Staff expenses	**7,812**	**6,799**
Others	**103,742**	**71,075**
- Supplementary customer indemnity provision	89,948	68,584
- Provision for contractual payments and payments under non-competition agreements	220	383
- Other provisions	13,574	2,108
Total provisions for risks and charges - other provisions	**138,862**	**105,291**

(Amounts in € thousand)

Provisions for risks and charges	Total 12/31/2022	Uses	Transfers and other changes	Actuarial gains (losses) IAS 19R *	Net provisions**	Total 12/31/2023
Legal and fiscal disputes	**27,417**	**(2,608)**	**-**	**-**	**2,499**	**27,308**
- Pending cases	19,661	(1,937)	401	-	3,180	21,305
- Complaints	4,339	(607)	(401)	-	(819)	2,512
- Tax disputes	3,417	(64)	-	-	138	3,491
Staff expenses	**6,799**	**(6,722)**	**-**	**-**	**7,735**	**7,812**
Others	**71,075**	**(3,182)**	**-**	**14,841**	**21,008**	**103,742**
- Supplementary customer indemnity provision	68,584	(1,484)	-	14,820	8,028	89,948
- Provision for contractual payments and payments under non-competition agreements	383	-	-	21	(184)	220
- Other provisions	2,108	(1,698)	-	-	13,164	13,574
Total provisions for risks and charges - other provisions	**105,291**	**(12,512)**	**-**	**14,841**	**31,242**	**138,862**

* The item " IAS 19R actuarial gains (losses)" includes the actuarial gains (losses) recognised in the item "Revaluation reserves" in application of IAS 19R.
** The item "Net provisions" includes the costs recognised in their own income statement item to better reflect their nature (e.g. "Staff expenses", "Administrative costs" and "Interest expenses and similar charges").

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It should be noted that the item " Provision for contractual payments and payments under non-competition agreements" as at 31 December 2023 only includes the provision for contractual indemnity, as the provision for non-competition agreements in place as at 31 December 2022 was entirely written off during 2023.

The following table shows the main actuarial assumptions used to measure the liability for the supplementary customer indemnity provision and the provision for contractual payments.

Description of the main actuarial assumptions	12/31/2023	12/31/2022
Discount rate	3.45%	4.10%
Rate salary increase	4.50%	0.00%

As required by IAS 19 Revised, a sensitivity analysis was conducted aimed at identifying how the present value of the liability changes when the actuarial assumptions considered most significant are changed, while keeping the other actuarial assumptions constant.

With reference to the supplementary customer indemnity provision, a change of -25 basis points in the discount rate would result in an increase in liabilities of € 1,978 thousand (+2.20%); an equivalent increase in the rate, on the other hand, would reduce the liability by € 1,907 thousand (-2.12%). A change of -25 basis points in the salary base would result in a reduction in the liability of € 572 thousand (-0.64%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of € 586 thousand (+0.65%).

With reference to the provision for contractual payments, a change of -25 basis points in the discount rate would result in an increase in liabilities of € 3,3 thousand (+1.51%); an equivalent increase in the rate, on the other hand, would reduce the liability by € 3,2 thousand (-1.46%). A change of -/+25 basis points in the salary base would not entail any significant change in the liability.

In addition, for the other provisions recognised in the financial statements on the basis of IAS 37, where the effect of the time value of money is significant (generally when payment is to be made more than 18 months from recognition), the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments. As at December 31st, 2023 an analysis was conducted to assess the impact on the provision on “Legal and fiscal disputes” and “Other provisions” (with the exception of the supplementary customer indemnity and contractual payment, for which the relating sensitivity analyses have been described above) is made of a variation of - 25 basis points in the discount rate would increase the liability by € 192.9 thousand (+0.15%); an equivalent increase in the rate, on the other hand, would decrease the liability by €190.6 thousand (-0.15%).

The **Provision for legal disputes** includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties. In addition to the costs incurred by the Group in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Group in ongoing disputes. This estimate was determined by the Group in relation to the ongoing litigation, mainly on the basis of the Forensic Tariffs envisaged by current legislation.

The **Provision for tax disputes** is allocated to cover tax demands received from the Italian Revenue Agency following tax audits carried out on the Bank over the years, in relation to which the Bank considers it has calculated the tax correctly and legitimately and has therefore submitted an appeal at various levels of proceedings. The above mentioned provision for risks and charges include the allocations for fines and interest for the additional tax being contested and requested by the Tax Authorities through tax bills or payment notices paid and for the estimated amount of legal expenses to be incurred in the various proceedings. For more details, see Part E – Information on risks and hedging policies – Section 1.5 – Operational risk – paragraph “Risks arising from tax disputes and audits” of these Notes to the consolidated accounts.

The **Provision for staff expenses** includes provisions made in relation to the variable remuneration to be paid to employees in subsequent years which have an uncertain due date and amount.

The **Supplementary customer indemnity provision** is accrued to cover the amount of severance indemnity to be paid to the PFA network pursuant to art. 1751 of the Italian Civil Code, in the event of termination of the contract for reasons not attributable to the advisor, such as, for example, when reaching retirement age. The amount of the obligation at the end of the period was assessed with the aid of an independent actuary, in accordance with the provisions of IAS 19.

The **Provision for contractual payments,** relating to a specific cluster of personal financial advisors, is constituted against a special indemnity that the Bank agrees to pay to personal financial advisors, who opted to transfer the rights and obligations arising from their contract with the Bank to third parties, where these advisors continue to keep an ethical and professional conduct with the Bank after termination of employment, with specific regard to the customer portfolio. The amount of the obligation at the end of the period relating to contractual payments was assessed with the aid of an independent actuary.

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The **Other Provisions** are mainly allocated to cover the risks related to the business and operations of the Group, including, in particular, the obligations arising from the cost rebalancing agreement that the Parent Company signed with the other distributing banks as part of the operation aimed at protecting Eurovita policyholders described above and the provisions for training events for personal financial advisors.

Section 11 – Insurance liabilities – Item 110

No data to report.

Section 12 - Redeemable shares - Item 130

No data to report.

Section 13 - Group Shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180

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

As at December 31st, 2023, share capital came to € 201,508 thousand, comprising 610,631,635 ordinary shares with a par value of € 0.33 each.

The Board of Directors of FinecoBank on February 7, 2023, considering the positive result of the verification of the minimum conditions of access at the Group level and the individual ones (behavior compliance and continuous employment), as well as the favourable opinion of the Remuneration Committee meeting on February 6, 2023, approved:

- the allocation:
  - the allocation of the fourth share tranche of the 2017 plan, awarded in 2018, corresponding to 27,426 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 9th, 2017, and subsequent meeting held on January 10th 2018;
  - the allocation of the third share tranche of the 2018 plan and of the fourth share tranche of the severance payment agreed in 2018 for an executive with strategic responsibility, awarded in 2019, corresponding to overall 42,049 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2018;
  - the allocation of the second and third share tranche of the 2019 plan, awarded in 2020, corresponding to 33,898 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2019;
  - the allocation of the second share tranche of the 2020 plan, awarded in 2021, corresponding to 1,908 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 15th, 2020;
  - the allocation of the first share tranche of the 2021 plan, awarded in 2022, corresponding to 64,324 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 19th, 2021;

  and, consequently, a free capital increase effective from March 31st, 2023 for a total amount of € 56 thousand corresponding to 169,605 free FinecoBank ordinary shares with a nominal value of € 0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 11th 2018, April 10th 2019, April 28th 2020 and April 28th 2021 pursuant to Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.03% of the fully diluted capital;
- the allocation of the first, second and third tranches in shares of the "2018-2020 Long Term Incentive Plan" for the FinecoBanks' employees, granted in 2018 and corresponding to 342,170 free ordinary FinecoBank shares, and, consequently, a free share capital increase in the total amount of € 113 thousand effective March 31, 2023 in partial exercise of the delegation of authority to the Board of Directors granted by the Extraordinary Shareholders' Meeting of April 11, 2018 pursuant to Article 2443 of the Civil Code.

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

As at December 31st, 2023 the Group, specifically the parent company FinecoBank, held in the portfolio 91,459 FinecoBank ordinary shares, in order to execute the PFA incentive plans of the Bank, corresponding to 0.015% of the share capital, for an amount of € 1,243 thousand. During 2023 n. 31,000 shares, for an amount of € 519 thousand, were purchased in relation to the 2022 incentive system for personal financial advisors identified as "Key personnel" and n. 3,435, n. 8,227, n. 12,781, n. 45,380 and n. 6,197 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the 2018, 2019, 2020 and 2021 incentive systems and to the 2018-2020 long term incentive plan, for an amount of € 990 thousand.

Part B - Consolidated Balance Sheet

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
Share capital	201,508	201,340
Share premium reserve	1,934	1,934
Reserves	890,106	778,211
(Treasury shares)	(1,243)	(1,714)
Revaluation reserves	(6,730)	2,121
Equity instruments	500,000	500,000
Net Profit (Loss) for the year	609,101	428,505
Total	**2,194,676**	**1,910,397**

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

Items/Type	Ordinary	Others
A. Shares outstanding at the beginning of the year	**609,983,381**	**-**
- fully paid	610,119,860	-
- not fully paid	-	-
A.1 treasury shares (-)	(136,479)	-
A.2 Shares outstanding: Opening balance	**609,983,381**	**-**
B. Increases	**587,795**	**-**
B.1 New issues	511,775	-
- against payment:	-	-
- business combination	-	-
- bonds converted	-	-
- warrants exercised	-	-
- others	-	-
- free:	511,775	-
- to employees	500,667	-
- to directors	-	-
- others	11,108	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	76,020	-
C. Decreases	**(31,000)**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(31,000)	-
C.3 Business tranferred	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**610,540,176**	**-**
D.1 Treasury shares (+)	91,459	-
D.2 Shares outstanding at the end of the year	610,631,635	-
- fully paid	610,631,635	-
- not fully paid	-	-

The item B.3 “Other changes” reports the shares allocated to the personal financial advisors as “identified staff” under the stock granting plans 2018, 2019, 2020 and 2021 and 2018-2020 long term incentive plan.

13.3 Share capital: other information

The shares are not subject to any right, privilege or constraint; there are no shares reserved for issue under option and sales contracts.

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

The reserves from profits consist of the:

- Legal reserve, amounting to € 40,302 thousand;
- Reserve for treasury shares held, amounting to € 1,243 thousand;
- Consolidation reserve, amounting to € 34,686 thousand;
- Reserves of unavailable profits pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 2,214 thousand;
- Other reserves from profits, amounting to € 765,888 thousand, of which € 86,354 thousand subject to a taxability restriction in the event of distribution, allocated following the tax realignment of goodwill provided for by article 110 of Decree-Law 104 of 2020.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", the Board of Directors of FinecoBank held on February 7th, 2023 approved execution of the incentive systems with a consequent increase in share capital, against with the reserves from profits have been reduced for an amount of € 168 thousand, in particular, the reserve related to the medium-long term incentive scheme for FinecoBank's personnel, set up with the available extraordinary reserve, was used. The extraordinary reserve was also used for the payment of costs directly attributable to the aforementioned capital increase operations, for an amount of € 6 thousand net of the related taxes.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", during 2023 n. 31,000 shares, for an amount of € 519 thousand, were purchased in relation to the 2022 incentive system" for personal financial advisors identified as "Key personnel" and n. 3,435, n. 8,227, n. 12,781, n. 45,380 and n. 6,197 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the incentive system 2018, 2019, 2020 and 2021 and the 2018-2020 long term incentive plan, for an amount of € 990 thousand. Consequently, the Reserve for treasury shares reduced by a total of € 471 thousand, with a simultaneous increase in the Extraordinary reserve.

The FinecoBank Shareholders' Meeting of April 27th, 2023 approved the allocation of profit for the year 2022 of FinecoBank S.p.A. amounting to € 421,985 thousand, as follows:

- to the 610,631,635 ordinary shares with a par value of € 0.33, constituting the share capital including 511,775 shares related to the capital increase to support the employee incentive system approved by the Board of Directors on February 7th, 2023, a unit dividend of € 0.49 totaling € 299,210 thousand;
- € 34 thousand to the Legal reserve, corresponding to 0.008% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 721 thousand to the reserve of unavailable pursuant to article 6 paragraph 2 of Legislative Decree 38/2005;
- € 122,021 thousand to the extraordinary reserves.

The same Shareholders' Meeting also approved the elimination of the negative reserve arising from the valuation of equity securities designated at fair value with an impact on comprehensive income by hedging the same with the use of the available extraordinary reserve in the amount of € 136.77. This reserve had been recognised following the sale transaction, effective as of 27 September 2022, of the 20 shares of UniCredit Services S.C.p.A., held by FinecoBank for an amount of € 172.37 and sold for an amount of € 35.6.

In addition, during 2023, Extraordinary Reserve has been reduced for the amount, net of taxes, of the coupons paid to holders of the Additional Tier 1 financial instrument issued by the Bank on January 31st, 2018, for € 8,834 thousand, and the Additional Tier 1 financial instrument issued on July 11th, 2019, for an amount of € 12,778 thousand, and has been increased by the portion of dividends not distributed in respect of the Bank's treasury shares held on the record date, amounting to € 45 thousand.

Part B - Consolidated Balance Sheet

13.5 Equity instruments: breakdown and annual changes

Equity instruments includes the following financial instrument:

- Additional Tier 1 issued on January 31st, 2018. The financial instrument is a perpetual private placement[29], issued for a total of € 200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%. Starting from 3 June 2023 and for the next five years, the coupon was set at 7.363%;
- Additional Tier 1 issued on July 11th, 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of € 300 million. The coupon for the first 5 years has been fixed at 5.875%.

No Equity Instruments were issued during 2023.

13.6 Other information

No data to report.

Section 14 – Minority interests – Item 190

14.1 Breakdown of Item 190 "Minority interests"

No data to report.

14.2 Equity instruments: breakdown and annual changes

No data to report.

[29] Unrated and unlisted

OTHER INFORMATION

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

1. Commitments and financial guarantees issued

(Amounts in € thousand)

	Nominal value of commitments and financial guarantees given				Total 12/31/2023	Total 12/31/2022
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets		
1. Commitment to supply funds	**286,043**	**317**	**187**	**-**	**286,547**	**16,747**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	262,427	-	-	-	262,427	13
e) Non-financial companies	-	-	-	-	-	59
f) Families	23,616	317	187	-	24,120	16,675
2. Financial guarantees issued	**28,318**	**-**	**-**	**-**	**28,318**	**28,685**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	17,170	-	-	-	17,170	17,170
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	85	-	-	-	85	-
f) Families	11,063	-	-	-	11,063	11,515

The commitments to supply funds to Families mainly include the securities lending transactions secured by sums of money that fall within the full economic availability of the lender to be settled, while commitments to disburse funds to other financial companies mainly include the undrawn portion of the loan granted to Cronos Vita Assicurazioni S.p.A..

Financial guarantees given to banks include banks include the guarantees issued in 2012 to the Italian Revenue Agency on request of UniCredit S.p.A., with indefinite duration, for a total amount of € 17,166 thousand (€ 17,166 thousand as at December 31st, 2022).

Part B - Consolidated Balance Sheet

2. Other commitments and other guarantees given

(Amounts in € thousand)

	Nominal amount Total 12/31/2023	Nominal amount Total 12/31/2022
1. Other guarantees given		
of which: impaired credit exposures	-	-
a) Central Banks	-	-
b) Governments	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments	**2,354,551**	**2,330,931**
of which: impaired credit exposures	130	101
a) Central Banks	-	-
b) Governments	-	-
c) Banks	3,096	2,502
d) Other financial companies	21,459	19,492
e) Non-financial companies	2,191	2,525
f) Households	2,327,805	2,306,412

Other commitments refer to the margins available on revocable credit lines granted to customers and spot sales of securities to be settled in times established by market practices ("regular way").

3. Assets given as collateral for own liabilities and commitments

(Amounts in € thousand)

Portfolios	Amounts 12/31/2023	Amounts 12/31/2022
1. Financial assets at fair value through profit and loss	-	13
2. Financial assets at fair value through other comprehensive income	-	-
3. Financial assets at amortized cost	2,987,910	4,946,516
4. Property, plant and equipment	-	-
of which: Property, plant and equipment material assets that constitute inventories	-	-

Assets given as collateral for own liabilities and commitments shown in the above table refer to:

- debt securities, mainly government bonds, and to a lesser extent equity securities, pledged as collateral of repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of said transaction. The securities are given as collateral for the entire duration of the transaction;
- debt securities, mainly government bonds, pledged as collateral for bankers' drafts, as guarantee for transactions with the Cassa di Compensazione e Garanzia, to guarantee the operation in foreign markets and/or as guarantee for transactions in derivatives. Securities are used as collateral until the Group decides to stop the transactions for which the collateral or guarantees are granted;
- variation margins, initial margins and guarantee deposits, including the default fund, against transactions in derivative contracts and financial instruments;
- debt securities issued by UniCredit S.p.A. given as collateral in securities lending transactions carried out with customers. The securities are given as collateral for the entire duration of the transaction.

Part B - Consolidated Balance Sheet

As described above, it should be noted that the item "Financial assets measured at amortised cost" includes variation margins, initial margins and guarantee deposits, including the default fund, against transactions in derivative contracts and financial instruments; these assets were not included in the table "3. Assets given as collateral for own liabilities and commitments" published in the 2022 Financial Statements, whose value, totalling € 301,154 thousand, was reported at the bottom of the same. For consistency of comparison, the 2022 comparative figure was restated.

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

No data to report.

Part B - Consolidated Balance Sheet

5. Asset management and trading on behalf of others

(Amounts in € thousand)

Type of service	Total 12/31/2023
1. Execution of orders for customers	**399,165,683**
Securities	**124,543,028**
a) purchases	68,427,483
1. settled	67,744,721
2. unsettled	682,762
b) sales	56,115,545
1. settled	55,525,791
2. unsettled	589,754
Derivative contracts	**274,622,655**
a) purchases	137,254,796
1. settled	136,847,031
2. unsettled	407,765
b) sales	137,367,859
1. settled	136,977,976
2. unsettled	389,883
2. Segregated accounts	**30,782,516**
a) individuals	-
b) collectives	30,782,516
3. Custody and administration of securities	
a) third party securities on deposits: relating to custodian bank activities (excluding segregated accounts)	-
1. securities issued by the bank preparing the accounts	-
2. other securities	-
b) third party securities held in deposits (excluding segregated accounts): other	31,601,180
1. securities issued by the bank preparing the accounts	8,256
2. other securities	31,592,924
c) third-party securities deposited with third parties	31,601,180
d) own securities deposited with third parties	21,744,757
4. Other transactions	**32,885,646**
Order receipt and transmission	32,885,646
a) purchases	16,724,771
b) sales	16,160,875

6. Financial assets subject to accounting offsetting or master netting agreements or similar agreements

(Amounts in € thousand)

Type		Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (B)	Net amount of financial assets shown in the financial statements (c=a-b)	Related amounts not recognised in balance sheet		Net amounts (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposit received as guarantee (e)	12/31/2023	12/31/2022
1. Derivatives		896,577	-	896,577	59,988	810,795	25,794	-
2. Reverse repos		2,317,105	2,313,830	3,275	3,275	-	-	-
3. Securities lending		397	-	397	397	-	-	10
4. Others		-	-	-	-	-	-	-
Total	**12/31/2023**	**3,214,079**	**2,313,830**	**900,249**	**63,660**	**810,795**	**25,794**	**X**
Total	**12/31/2022**	**4,326,379**	**2,632,369**	**1,694,010**	**66,110**	**1,627,890**	**X**	**10**

7. Financial liabilities subject to accounting offsetting or master netting agreements or similar agreements

(Amounts in € thousand)

Type		Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities shown in the financial statements (c=a-b)	Related amounts not subject to accounting offsetting		Net amount (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposit received as guarantee (e)	12/31/2023	12/31/2022
1. Derivatives		59,988	-	59,988	59,988	-	-	-
2. Reverse repos		2,313,880	2,313,830	50	50	-	-	62,993
3. Securities lending		78,164	-	78,164	73,168	3,007	1,989	6,555
4. Others		-	-	-	-	-	-	-
Total	**12/31/2023**	**2,452,032**	**2,313,830**	**138,202**	**133,206**	**3,007**	**1,989**	**X**
Total	**12/31/2022**	**3,620,474**	**2,632,369**	**988,105**	**918,557**	**-**	**X**	**69,548**

IFRS 7 requires specific disclosures to be made about financial instruments that have been offset in the balance sheet in accordance with IAS 32 or that are potentially eligible for offsetting, if certain conditions are met, but are disclosed in the balance sheet without offsetting because they are governed by master netting or similar agreements that do not meet all of the criteria set out in IAS 32, paragraph 42.

In this regard, it should be noted that FinecoBank enters into repurchase agreements on the Repo MTS market, governed by an agreement with Cassa Compensazione e Garanzia and the related Regulation for the centralised clearing of transactions, which meet the requirements of IAS 32, paragraph 42 for offsetting in the balance sheet. The effects of netting are reported under item 2. Reverse Repos.

With regard to instruments that can be potentially offset, upon the occurrence of certain events, FinecoBank uses bilateral netting agreements that allow, in the event of counterparty default, the offsetting of credit and debit positions relating to financial derivatives and SFT (Securities Financing Transactions). In particular, there are ISDA Master Agreements (promoted by the International Swaps and Derivatives Association for derivative transactions), GMRA (Global Master Repurchase Agreement for repurchase agreements) and GMSLA (Global Master Securities Lending Agreement for securities lending transactions). It should also be noted that the derivative contracts included in item 1. Derivatives are subject to clearing with a Central Counterparty and cash collateral is exchanged.

8. Securities lending transactions

The Group, in particular the Parent company, conducts securities lending transactions on a continuous and systematic basis, with the objective of satisfying the requests of its customers, of institutional counterparties and obtaining a profit. The Bank operates either as a borrower, borrowing securities from its customers, or as a lender, using the borrowed securities for cash-secured securities lending transactions with retail and institutional customers interested in temporary ownership of securities or lending proprietary securities, without collateral or with collateral represented by other securities, to institutional customers interested in temporary ownership.

Against securities lending transactions guaranteed by other securities carried out by the Bank as a borrower with retail customers ("remunerated Portfolio"), the Bank issued as collateral UniCredit S.p.A. bonds, recorded in “Financial asset at amortised cost”, held in a dedicated dossier at the custodian bank for an amount higher than that of the securities borrowed by the customers, with the aim of providing a collective guarantee.

The face value of the underlying securities received on a loan and not recognised as assets in the accounts totalled € 98,417 thousand, for a fair value of € 152,470 thousand, as detailed in the table below. Securities borrowed under securities lending transactions secured by sums of money at the lender's full disposal, which are equivalent to repurchase agreements on securities, recognised in Financial assets measured at amortised cost, are excluded.

The carrying amount of own securities recognised in Financial assets at amortised cost and delivered in securities lending transactions without collateral or with collateral represented by other securities is € 824,236 thousand.

(Amounts in € thousand)

Securities received on loan from:	Type of securities - Nominal value as at 31 December 2023		
	Sold	Sold in repos	Other purposes
Banks			
Financial companies		1	
Insurance companies			
Non-financial companies		1,213	2
Other entities	573	89,349	7,280
Total nominal value	**573**	**90,563**	**7,282**

(Amounts in € thousand)

Securities received on loan from:	Type of securities - Fair value as at 31 December 2023		
	Sold	Sold in repos	Other purposes
Banks			
Financial companies	28	214	
Insurance companies			
Non-financial companies	55	1,347	12
Other entities	1,948	133,551	15,315
Total fair value	**2,031**	**135,112**	**15,327**

9. Disclosure on joint control activities

No data to report

Part C - Consolidated Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

(Amounts in € thousand)

Items/Technical forms	Debt securities	Loans	Other operations	Total 2023	Total 2022
1. Financial assets at fair value though profit and loss:	**5**	**-**	**-**	**5**	**6**
1.1 Financial assets held for trading	-	-	-	-	1
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	5	-	-	5	5
2. Financial assets at fair value through other comprehensive income	**252**	**-**	**X**	**252**	**212**
3. Financial assets at amortised cost:	**289,362**	**194,839**	**X**	**484,201**	**330,504**
3.1 Loans and receivables to banks	59,678	11,227	X	70,905	52,099
3.2 Loans and receivables to customers	229,684	183,612	X	413,296	278,405
4. Hedging derivatives	**X**	**X**	**211,861**	**211,861**	**(5,358)**
5. Other assets	**X**	**X**	**81,912**	**81,912**	**19,617**
6. Financial liabilities	**X**	**X**	**X**	**170**	**12,291**
Total	**289,619**	**194,839**	**293,773**	**778,401**	**357,272**
of which: income interests on impaired financial assets	-	235	-	235	219
of which: interest income on financial lease	X	-	X	-	-

The TLTRO III transactions were repaid in full during the financial year 2022. Interest accrued as at 31 December 2022, reported under item 6. "Financial liabilities", amounted to € 6,478 thousand.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income from financial assets denominated in currency

(Amounts in € thousand)

Items/Type	Total 2023	Total 2022
Interest income on foreign currency financial assets	37,273	14,177

Part C - Consolidated Income Statement

1.3 Interest expenses and similar charges: breakdown

(Amounts in € thousand)

Items/Technical forms	Debts	Securities	Other operations	Total 2023	Total 2022
1. Financial liabilities at amortized cost	(78,198)	(15,188)	X	(93,386)	(16,165)
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(42,742)	X	X	(42,742)	(5,330)
1.3 Deposits from customers	(35,456)	X	X	(35,456)	(7,674)
1.4 Debt securities in issue	X	(15,188)	X	(15,188)	(3,161)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(1,227)	(3,558)
Total	**(78,198)**	**(15,188)**	**-**	**(94,613)**	**(19,723)**
of which: interest expenses on lease liabilities	(1,401)	X	X	(1,401)	(1,047)

1.4 Interest expenses and similar charges: other information

1.4.1 Interest expenses on liabilities denominated in currency

(Amounts in € thousand)

Items/Type	Total 2023	Total 2022
Interest expense on liabilities denominated in currency	(17,168)	(5,295)

1.5 Hedging differential

(Amounts in € thousand)

Items	Total 2023	Total 2022
A. Positive hedging differentials	441,935	139,349
B. Negative hedging differentials	(230,074)	(144,707)
C. Balance (A-B)	**211,861**	**(5,358)**

Section 2 – Fee and commission income and expense - Items 40 and 50

2.1 Fee and commission income: breakdown

(Amounts in € thousand)

Type of service/Values	Total 2023	Total 2022
a) Financial instruments	131,115	127,298
1. Securities placement	13,952	13,855
1.1 Under firm assumption and/or on the basis of an irrevocable commitment	-	-
1.2 Without firm commitment	13,952	13,855
2. Receipt and transmission of orders and execution for customers	90,081	88,143
2.1 Receipt and transmission of orders for one or more financial instruments	24,391	25,748
2.2 Execution of orders on behalf of customers	65,690	62,395
3. Other fees connected with activities related to financial instruments	27,082	25,300
of which: trading on own account	27,082	25,300
of which: management of individual portfolios	-	-
b) Corporate Finance	-	-
1. Merger and Acquisition Advice	-	-
2. Treasury services	-	-
3. Other fees associated with corporate finance services	-	-
c) Investment advisory activities	75,054	72,312
d) Clearing and settlement	-	-
e) Collective Portfolio Management	346,143	306,031
f) Custody and administration	1,391	1,539
1. Custodian bank	-	-
2. Other fees related to custody and administration	1,391	1,539
g) Central administrative services for collective portfolio management	-	-
h) Trust business	-	26
i) Payment services	84,193	83,482
1. Current accounts	17,703	24,999
2. Credit cards	37,243	32,035
3. Debit and other payment cards	17,536	15,813
4. Wire transfers and other payment orders	11,711	10,635
5. Other fees related to payment services	-	-
j) Distribution of third party services	291,338	302,092
1. Collective portfolio management	172,739	182,722
2. Insurance products	112,394	115,525
3. Other products	6,205	3,845
of which: individual portfolio management	3,745	3,615
k) Structured Finance	-	-
l) Servicing for securitization transactions	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees issued	103	87
of which: credit derivatives	-	-
o) Financing operations	342	273
of which: for factoring transactions	-	-
p) Currency trading	-	-
q) Goods	-	-
r) Other commission income	1,130	1,356
of which: for management activities of multilateral trading systems	-	-
of which: for management activities of organized trading systems	-	-
s) Securities lending transactions	9,538	9,327
Total	**940,347**	**903,823**

Part C - Consolidated Income Statement

The amount of fees and commissions recognized in 2023 that was included in the contract liability balance at the beginning of the year is equal to € 1,516 thousand (€ 1,372 thousand in 2022).

Lastly, it should be noted that item j) “Distribution of third-party services 1. Collective portfolio management" also includes the maintenance commissions for UCIT units equal to € 162,896 thousand (€ 174,621 thousand in 2022).

2.2 Fee and commission expenses: breakdown

(Amounts in € thousand)

Services/Amounts	Total 2023	Total 2022
a) Financial instruments	(10,853)	(10,335)
of which: trading of financial instruments	(10,853)	(10,335)
of which: placement of financial instruments	-	-
of which: management of individual portfolios	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	(5,619)	(5,495)
c) Management of collective portfolios	(31,860)	(32,056)
1. Own	-	-
2. Delegated to third parties	(31,860)	(32,056)
d) Custody and administration	(4,594)	(4,287)
e) Payment and collection services	(27,431)	(24,040)
of which: credit cards, debit cards and other payment cards	(19,443)	(17,296)
f) Servicing activities for securitization transactions	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	-	-
of which: credit derivatives	-	-
i) Off-site offering of financial instruments, products and services	(367,210)	(359,680)
j) Currency trading	-	-
k) Other commission expenses	(1,991)	(565)
l) Securities lending transactions	(1,173)	(1,057)
Total	**(450,731)**	**(437,515)**

Item “i) Off-site offering of financial instruments, products and services”, includes costs incurred in relation to Equity Settled plans assigned to personal financial advisors, that are recorded against the item 150. “Reserves” of the net equity for an amount of € 553 thousand (€ 616 thousand in 2022).

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Section 3 – Dividend income and similar revenue – Item 70

3.1 Dividend income and similar revenues: breakdown

(Amounts in € thousand)

Items/Income	Total 2023		Total 2022	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	176	2	164	1
B. Other financial assets mandatorily at fair value	48	-	41	-
C. Financial assets at fair value through other comprehensive income	-	-	-	-
D. Equity investments	-	-	-	-
Total	**224**	**2**	**205**	**1**

Section 4 – Gains (losses) on financial assets and liabilities held for trading – Item 80

4.1 Gains (losses) on financial assets and liabilities held for trading: breakdown

2023

(Amounts in € thousand)

Transactions/Income items	Unrealised gain (A)	Realized gains (B)	Unrealized losses (C)	Realized losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	**202**	**38,939**	**(100)**	**(25,287)**	**13,754**
1.1 Debt securities	-	2,322	-	(1,984)	338
1.2 Equity instruments	202	36,017	(100)	(22,790)	13,329
1.3 UCITS units	-	600	-	(513)	87
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**8**	**874**	**(40)**	**(1,125)**	**(283)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	8	874	(40)	(1,125)	(283)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**18,449**
4. Derivatives	**7,446**	**187,296**	**(8,235)**	**(157,872)**	**34,353**
4.1 Financial derivatives:	7,446	187,296	(8,235)	(157,872)	34,353
- On debt securities and interest rates	144	2,190	(171)	(2,009)	154
- On equity securities and share indices	7,198	162,597	(7,977)	(138,480)	23,338
- On currency and gold	X	X	X	X	5,718
- Others	104	22,509	(87)	(17,383)	5,143
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	**7,656**	**227,109**	**(8,375)**	**(184,284)**	**66,273**

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2022

(Amounts in € thousand)

Transactions/Income items	Unrealised gain (A)	Realized gains (B)	Unrealized losses (C)	Realized losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	**240**	**46,117**	**(420)**	**(35,997)**	**9,940**
1.1 Debt securities	-	2,960	-	(2,296)	664
1.2 Equity instruments	232	42,365	(419)	(33,033)	9,145
1.3 UCITS units	8	792	(1)	(668)	131
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**4**	**498**	**(5)**	**(365)**	**132**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	4	498	(5)	(365)	132
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**19,825**
4. Derivatives	**8,864**	**246,878**	**(7,399)**	**(204,941)**	**48,069**
4.1 Financial derivatives:	8,864	246,878	(7,399)	(204,941)	48,069
- On debt securities and interest rates	126	2,345	(108)	(2,257)	106
- On equity securities and share indices	8,646	201,478	(7,147)	(167,755)	35,222
- On currency and gold	**X**	**X**	**X**	**X**	4,667
- Others	92	43,055	(144)	(34,929)	8,074
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	**X**	**X**	**X**	**X**	-
Total	**9,108**	**293,493**	**(7,824)**	**(241,303)**	**77,966**

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Section 5 – Fair value adjustments in hedge accounting – Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

(Amounts in € thousand)

Income items/Amounts	Total 2023	Total 2022
A. Gains on:		
A.1 Fair value hedging instruments	35,933	1,619,135
A.2 Hedged asset items (in fair value hedge relationship)	500,998	-
A.3 Hedged liability items (in fair value hedge relationship)	141	74,882
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**537,072**	**1,694,017**
B. Losses on:		
B.1 Fair value hedging instruments	(508,426)	(74,991)
B.2 Financial assets items (in fair value hedge relationship)	-	(1,606,819)
B.3 Hedged liability items (in fair value hedge relationship)	(35,797)	-
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(544,223)**	**(1,681,810)**
C. Fair value adjustments in hedge accounting (A-B)	**(7,151)**	**12,207**
of which: net profit (loss) on net position	-	-

Section 6 – Gains (Losses) on disposals/repurchases – Item 100

6.1 Gains (Losses) on disposals/repurchases: breakdown

(Amounts in € thousand)

Items/Income items	Total 2023			Total 2022		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
Financial assets						
1. Financial assets at amortized cost	33,204	(32,996)	208	49,137	(42)	49,095
1.1 Loans and receivables to banks	-	(287)	(287)	-	-	-
1.2 Loans and receivables to customers	33,204	(32,709)	495	49,137	(42)	49,095
2. Financial assets at fair value through other comprehensive income	-	-	-	309	-	309
2.1 Debt securities	-	-	-	309	-	309
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**33,204**	**(32,996)**	**208**	**49,446**	**(42)**	**49,404**
Financial liabilities valued at amortized cost	-	-	-	-	-	-
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

It should be noted that the economic effects arising from sales of financial assets at amortised costs, recognised in item 100. “Gains (losses) on disposals/repurchases of: a) financial assets at amortised cost", took place in accordance with IFRS 9 and in application of the rules defined for the HTC business model.

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Section 7 – Gains (losses) on financial assets and liabilities measured at fair value through profit and loss – Item 110

7.1 Gain (losses) on financial assets and liabilities measured at fair value through profit and loss: breakdown of financial assets and liabilities designated at fair value

No data to report.

7.2 Gain (losses) on financial assets and liabilities measured at fair value through profit and loss: breakdown of other financial assets mandatorily at fair value

2023

(Amounts in € thousand)

Transactions/Income items	Unrealized gain (A)	Realized gain (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (loss) (A+B)-(C+D)
1. Financial assets	**1,274**	**2**	**(40)**	**(8)**	**1,228**
1.1 Debt securities	1	1	-	(2)	-
1.2 Equity securities	1,187	-	(7)	(2)	1,178
1.3 UCITS units	86	1	(33)	(4)	50
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**(174)**
Total	**1,274**	**2**	**(40)**	**(8)**	**1,054**

2022

(Amounts in € thousand)

Transactions/Income items	Unrealized gain (A)	Realized gain (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (loss) (A+B)-(C+D)
1. Financial assets	**2,394**	**35**	**(2,610)**	**(601)**	**(782)**
1.1 Debt securities	-	1	(11)	-	(10)
1.2 Equity securities	2,394	20	(2,577)	(457)	(620)
1.3 UCITS units	-	14	(22)	(144)	(152)
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**302**
Total	**2,394**	**35**	**(2,610)**	**(601)**	**(480)**

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Section 8 – Impairment losses/writebacks - Item 130

8.1 Net impairment for credit risk related to financial assets at amortized cost: breakdown

(Amounts in € thousand)

Transactions/Income	Adjustments (1)						Write-backs (2)				Total 2023	Total 2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-off	Others	Write-off	Others						
A. Loans and receivables to banks	**(119)**	**-**	**-**	**-**	**-**	**-**	**129**		**-**	**-**	**10**	**(290)**
- Loans	(98)	-	-	-	-	-	74	-	-	-	(24)	(88)
- Debt securities	(21)	-	-	-	-	-	55	-	-	-	34	(202)
B. Loans and receivables to customers	**(2,642)**	**(1,886)**	**(74)**	**(4,785)**	**-**	**-**	**3,749**	**1,120**	**1,410**	**-**	**(3,108)**	**(4,894)**
- Loans	(1,818)	(1,886)	(74)	(4,785)	-	-	2,688	1,120	1,410	-	(3,345)	(3,003)
- Debt securities	(824)	-	-	-	-	-	1,061	-	-	-	237	(1,891)
Total	**(2,761)**	**(1,886)**	**(74)**	**(4,785)**	**-**	**-**	**3,878**	**1,120**	**1,410**	**-**	**(3,098)**	**(5,184)**

The table above conventionally shows the net impairment for credit risk in respect of on-demand deposits to banks and central banks recognised in the item "Cash and cash balances", as stated in Circular 262 "Bank financial statements: formats and compilation rules".

8.2 Net impairment losses related to: financial assets measured at fair value with an impact on overall profitability

(Amounts in € thousand)

Transactions/Income	Adjustments (1)						Write - backs (2)				Total 2023	Total 2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-off	Others	Write-off	Other						
A. Debt Securities	-	-	-	-	-	-	-	-	-	-	-	(2)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- To clients	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**

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Section 9 – Profit/loss from contract changes without cancellation – Item 140

9.1 Profit (loss) from contract changes: breakdown

(Amounts in € thousand)

Items/Income items	Total 2023			Total 2022		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
1. Financial assets valued at amortized cost	3	(1)	2	1	(2)	(1)
1.1 Receivables from banks	-	-	-	-	-	-
1.2 Receivables from customers	3	(1)	2	1	(2)	(1)
2. Financial assets valued at fair value through other comprehensive income	-	-	-	-	-	-
Total	**3**	**(1)**	**2**	**1**	**(2)**	**(1)**

Section 10 – Insurance services result – Item 160

No data to report.

Section 11 – Insurance finance income and expenses – Item 170

No data to report.

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Section 12 – Administrative expenses – Item 190

12.1 Staff expenses: breakdown

(Amounts in € thousand)

Type of expenses/Sectors	Total 2023	Total 2022
1) Employees	(124,348)	(115,189)
a) wages and salaries	(84,810)	(78,465)
b) social security contributions	(20,556)	(18,463)
c) pension costs	(785)	(734)
d) severance pay	-	-
e) allocation to employee severance pay provision	(179)	(121)
f) provision for retirements and similar provisions:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(6,046)	(5,502)
- defined contribution	(6,046)	(5,502)
- defined benefit	-	-
h) costs related to share-based payments	(4,780)	(4,998)
i) other employee benefits	(7,206)	(6,921)
j) recovery of expenses for employees seconded	14	15
2) Other staffs	-	-
3) Directors and statutory auditors	(2,519)	(2,105)
4) Early retirement costs	-	-
Total	**(126,867)**	**(117,294)**

Item “1 h) Employees: costs related to share-based payments” includes costs incurred by the Group in relation to payment agreements based on financial instruments issued by the Bank, that are recorded against the item 150. “Reserves” of the net equity for an amount of € 4,780 thousand (€ 4,998 thousand in 2022).

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12.2 Average number of employees by category

	Data as at	
	2023	2022
Employees	**1,306**	**1,264**
(a) executives	44	40
(b) managers	480	452
(c) remaining employees	782	772
Other personnel	**16**	**16**

12.3 Pensions and other post-retirement defined-benefit obligations costs and revenues

No data to report.

12.4 Other employee benefits

(Amounts in € thousand)

Type of expense/Amounts	Total 2023	Total 2022
Leaving incentives	720	(200)
Medical plan	(1,657)	(1,621)
Luncheon vouchers	(1,550)	(921)
Training expenses	(571)	(426)
Other	(4,147)	(3,753)
Total	**(7,205)**	**(6,921)**

The item "Other" mainly includes the cash component of benefits relating to employee incentive plans, for a total amount of € 3,215 thousands.

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12.5 Other administrative expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2023	Total 2022
1) INDIRECT TAXES AND DUTIES	**(171,026)**	**(142,916)**
2) MISCELLANEOUS COSTS AND EXPENSES		
A) Advertising expenses - Marketing and communication	**(29,780)**	**(26,459)**
Mass media communications	(20,931)	(21,928)
Marketing and promotions	(7,186)	(3,524)
Sponsorships	(427)	(582)
Conventions and internal communications	(1,236)	(425)
B) Expenses related to credit risk	**(1,612)**	**(1,493)**
Credit recovery expenses	(419)	(215)
Commercial information and company searches	(1,193)	(1,278)
C) Expenses related to personnel and to personal financial advisors	**(4,665)**	**(3,131)**
Other staff expenses	(1,582)	(1,096)
Personal financial advisor expenses	(3,083)	(2,035)
D) ICT expenses	**(57,556)**	**(54,633)**
Lease of ICT equipment and software	(1,794)	(2,180)
Software expenses: lease and maintenance	(15,249)	(13,217)
ICT communication systems, messaging and phone expenses	(6,285)	(7,565)
Consultancy and ICT services provided by third parties	(16,447)	(14,834)
Financial information providers	(17,781)	(16,837)
E) Consultancies and professional services	**(5,390)**	**(5,240)**
Consultancies and professional services	(4,280)	(4,266)
Legal expenses and disputes	(515)	(445)
Auditing company expenses	(595)	(529)
F) Furniture, machinery and equipment expenses and Real estate expenses	**(5,954)**	**(6,393)**
Repair and maintenance of furniture, machinery, and equipment	(537)	(304)
Maintenance and cleaning of premises	(1,618)	(1,372)
Premises rentals	(761)	(840)
Utilities and condominium expenses	(3,038)	(3,877)
G) Other functioning costs	**(30,341)**	**(31,386)**
Postage and transport of documents	(3,546)	(3,312)
Administrative, logistic and call center services	(16,258)	(17,043)
Insurance	(3,990)	(4,404)
Association dues and fees	(4,145)	(4,277)
Other administrative expenses	(2,402)	(2,350)
H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(41,610)**	**(47,734)**
Total	**(347,934)**	**(319,385)**

Item "H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)" shows the costs recorded in the year 2023 for the ordinary, additional and supplementary contribution paid to the Deposit Guarantee Schemes (DGS), in the total amount of € 35,030 thousand (€ 40,008 thousand in the year 2022), the ordinary contribution paid to the Single Resolution Fund, amounting to € 6,581 thousand (€ 7,601 thousand in the year 2022). For further details, see Part A - Accounting policies of these notes to the consolidated accounts.

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Below is the information required by IFRS 16 regarding the costs recognized in Other administrative expenses relating to short-term leasing, the costs relating to low value assets leasing and the costs for variable payments due for the leasing not included in the valuation of the leasing liabilities.

(Amounts in € thousand)

Type of expense/Amounts	Total 2023
Expenses relating to short-term leases ("Short term lease")	(548)
Expenses relating to leases of low-value assets ("Low value assets")	(5)
Expenses relating to variable lease payments not included in the measurement of lease liabilities	-
Total	**(553)**

It should also be noted that the VAT on rental related to the contracts included in the scope of IFRS 16 was also included in the Other administrative expenses, as it is not included in the assessment of the leasing liability.

Section 13 – Net provisions for risks and charges – Item 200

13.1 Net provisions for risks and charges relating to commitments and financial guarantees given: breakdown

(Amounts in € thousand)

Transactions/Income items	Impairment		Write-backs		Total	Total
	Stage 1 and Stage 2	Stage 3	Stage 1 and Stage 2	Stage 3	2023	2022
1. Commitments	(181)	(36)	24	2	(191)	(2)
2. Financial guarantees given	-	-	2	-	2	18
Total	**(181)**	**(36)**	**26**	**2**	**(189)**	**16**

13.2 Net provisions for risks and charges relating to other commitments and other guarantees given: breakdown

(Amounts in € thousand)

Transactions/Income items	2023			2022		
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
1. Other commitments	(77)	37	(40)	(39)	-	(39)
2. Other guarantees given	-	-	-	-	-	-
Total	**(77)**	**37**	**(40)**	**(39)**	**-**	**(39)**

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13.3 Net provisions to other provisions for risks and charges: breakdown

(Amounts in € thousand)

Items/Income items	Total 2023			Total 2022		
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
Legal and fiscal disputes	(5,977)	3,479	(2,498)	(5,279)	3,122	(2,157)
Supplementary customer indemnity provision	(8,028)	-	(8,028)	(7,273)	-	(7,273)
Other provisions for risks and charges	(11,658)	207	(11,451)	(761)	163	(598)
Total	**(25,663)**	**3,686**	**(21,977)**	**(13,313)**	**3,285**	**(10,028)**

The item "Provisions" also include changes due to the passing of time and changes in the discount rate.

Section 14 – Net impairment/write-backs on property, plant and equipment – Item 210

14.1 Impairment on property, plant and equipment: breakdown

(Amounts in € thousand)

Assets/Income items	Depreciation (a)	Write-downs (b)	Write-backs (c)	Net profit (loss) 2023 (a + b - c)	Net profit (loss) 2022 (a + b - c)
A. Property, plant and equipment	(21,067)	(77)	-	(21,144)	(20,258)
1 Owned	(21,067)	(77)	-	(21,144)	(20,168)
- Used in the business	(9,591)	(18)	-	(9,609)	(8,848)
- Held for investment	(11,476)	(59)	-	(11,535)	(11,320)
2. Held under finance lease	-	-	-	-	(90)
- Used in the business	-	-	-	-	(90)
- Held for investment	-	-	-	-	-
3 Inventories	X	-	-	-	-
Total	**(21,067)**	**(77)**	**-**	**(21,144)**	**(20,258)**

Write-downs were recognised in the period for insignificant amounts and mainly in relation to office furniture and fittings for which a zero value in use was determined.

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the notes to the consolidated accounts.

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Section 15 – Net impairment/write-backs on intangible assets – Item 220

15.1 Impairment on intangible assets: breakdown

(Amounts in € thousand)

Assets/Income items	Depriciation (a)	Write-downs (b)	Write-backs (c)	Net profit (loss) 2023 (a + b - c)	Net profit (loss) 2022 (a + b - c)
A. Intangible assets	(5,995)	-	-	(5,995)	(6,607)
of which: software	(5,963)	-	-	(5,963)	(6,520)
A.1 Owned	(5,995)	-	-	(5,995)	(6,607)
- Generated internally by the company	-	-	-	-	-
- Others	(5,995)	-	-	(5,995)	(6,607)
A.2 Right of use held under finance lease	-	-	-	-	-
Total	**(5,995)**	**-**	**-**	**(5,995)**	**(6,607)**

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the notes to the consolidated accounts.

For the disclosures required by IAS 36 paragraph 134, d), e), f) and 135, c), d), e), see Part B paragraph 13.3 Other information.

Section 16 – Other net operating income – Item 230

16.1 Other operating expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2023	Total 2022
Refunds and allowances	(170)	(211)
Penalties, fines and unfavourable rulings	(1,301)	(871)
Improvements and incremental expenses incurred on leasehold properties	(1,594)	(1,835)
Exceptional write-downs of assets	(311)	(66)
Other operating expenses	(1,080)	(1,429)
Total	**(4,456)**	**(4,412)**

16.2 Other operating income: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2023	Total 2022
Recovery of expenses:	163,603	136,830
- recovery of ancillary expenses - other	607	912
- recovery of taxes	162,996	135,918
Rental income from properties	808	751
Other income from current year	5,739	6,548
Total	**170,150**	**144,129**

The amount of other operating income recognized in 2023 and included in the balance at the beginning of the year of liabilities arising from contracts with customers is equal to € 49 thousand (€ 48 thousand in 2022).

The item “Other income for the current year” includes income related to the asset manager activity carried out by the subsidiary Fineco AM, related to the application of the "Fixed Operating Expenses" model, amounting to € 4,250 thousand (€ 4,566 thousand in 2022), and public grants for the year amounting to € 63 thousand accounted for by the Parent Company (€ 63 thousand in 2022).

The Group has not carried out sub-leasing transactions. The Group has no financial leases. As far as operating leases are concerned, the Group, as lessor, has outstanding operations represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11, the proceeds of which are recognized in the item "Rental income from properties" and may include income for ISTAT revaluations.

Section 17 – Profit (loss) of associates – Item 250

17.1 Profit (Loss) of associates: breakdown

(Amounts in € thousand)

Income/Value	Total 2023	Total 2022
1) Joint ventures		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Writebacks	-	-
4. Other gains	-	-
B. Expenses	-	-
1. Write-down	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit	**-**	**-**
2) Companies subject to significant influence		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Writebacks	-	-
4. Other gains	-	-
B. Expenses	(263)	(276)
1. Write-down	(68)	(276)
2. Impairment losses	(195)	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit	**(263)**	**(276)**
Total	**(263)**	**(276)**

Write-downs on companies subject to significant influence, in the amount of € 68 thousand, refer to the valuation of Vorvel Sim S.p.A. using the equity method.

Impairment losses, amounting to € 195 thousand, refer to the write-off of the carrying value of the Bank's investment in Fineco International Ltd, as described above.

Part C - Consolidated Income Statement

Section 18 – Gains (losses) on tangible and intangible assets measured at fair value – Item 260

No data to report.

Section 19 – Impairment of goodwill – Item 270

No data to report.

Section 20 – Gains (losses) on disposal of investments – Item 280

20.1 Gains (losses) on disposal of investments

(Amounts in € thousand)

Items income/Sectors	Total 2023	Total 2022
A. Properties	-	541
- Gains on disposal	-	541
- Losses on disposal	-	-
B. Other assets	35	2
- Gains on disposal	35	4
- Losses on disposal	-	(2)
Net profit (loss)	**35**	**543**

The Group has not carried out sales and leasing transactions for tangible assets.

Section 21 – Tax expense (income) related to profit or loss from continuing operations – Item 300

21.1 Tax expense (income) related to profit or loss from continuing operations: breakdown

(Amounts in € thousand)

Items income/Sectors	Total 2023	Total 2022
1. Current tax (-)	(268,946)	(178,666)
2. Adjustment to current tax of prior years (+/-)	-	-
3. Reduction in current tax for the year (+)	-	-
3.bis Reduction of current tax for the year due to tax receivables pursuant to Law 214/2011 (+)	-	-
4. Changes in deferred tax assets (+/-)	6,673	3,635
5. Changes in deferred tax liabilities (+/-)	(864)	(826)
6. Tax expense for the year (-) (-1+/-2+3+ 3 bis +/-4+/-5)	(263,137)	(175,857)

Part C - Consolidated Income Statement

21.2 Reconciliation of theoretical tax charge to actual tax charge

(Amounts in € thousand)

	Total 2023
Profit before tax	872,238

(Amounts in € thousand)

Items income/Sectors	Taxes			
	IRES Italian Tax	IRAP Italian Tax	Taxes Overseas	Total 2023
Amount corresponding to theoretical tax rate	**(233,920)**	**(47,379)**	**(17,019)**	**(298,318)**
- Tax effects of charges not relevant to the calculation of taxable income	(2,243)	(3,690)	-	(5,933)
- Tax effects of income not relevant to the calculation of taxable income	35,663	5,451	-	41,114
- Tax effects deriving from the use of tax losses from previous years	-	-	-	-
- Tax effects deriving from the application of substitute taxes	-	-	-	-
Amount corresponding to actual tax rate	**(200,500)**	**(45,618)**	**(17,019)**	**(263,137)**

Section 22 – Profit (Loss) after tax from discontinued operations – Item 320

No data to report.

Section 23 – Minority interests – Item 340

No data to report.

Section 24 – Other information

No data to report.

1.1 Fees for annual audits and related services as prescribed by Art.149-duodecies of the Consob Issuers Regulation

The table below reports a detail of the fees (net of VAT and expenses) paid to the independent auditing company KPMG S.p.A. and to the entities of the network to which the auditing company belongs.

(Amounts in €)

Type of service	Service provider	Fees
Accounting Audit	KPMG S.p.A.	200,488
Accounting Audit	KPMG (Ireland)	27,500
Certification services	KPMG S.p.A.	208,179
Certification services	KPMG (Ireland)	42,500
Other services	KPMG S.p.A.	37,500
Total		**516,167**

Part C - Consolidated Income Statement

1.2 Disclosure regarding the transparency of public funding required by article 1, paragraph 125 of the Italian law 124/2017

For the purposes of fulfilling the requirements of art. 1, paragraph 125 of Law no. 124/2017 - Annual market and competition law, modified by art. 35 of the law decree n. 34/2019, and in accordance with Assonime circular no. 5 of February 22nd, 2019 and also kept the indications provided by the in-depth document issued by Assonime on May 6th, 2019, the Group excluded from the disclosure the attributions that are justified in the performance of the company and in any case typical of the recipient's activity, as well as those aimed at the generality of the companies, such as tax and social security measures, thus limiting the information on the contributions to be presented and detailed in the National Register of State Aid "Transparency" section publicly available on the relevant website.

Pursuant to article 1, paragraph 125 of Italian law 124/2017, in 2023 FinecoBank did not receive public contributions from Italian entities. It should be noted that during 2020, a communication had been submitted for access to the tax credit for advertising investments Art. 57-bis of Decree Law No. 50 of April 24, 2017, converted with amendments by Law No. 96 of June 21, 2017; Prime Minister's Decree No. 90 of May 16, 2018.

For more information, please refer to the National Register of State Aid "Transparency" section.

Section 25 - Earnings per share

25.1 Average number of diluted ordinary shares

Basic earnings per share are calculated by dividing the net profit by the average number of ordinary shares outstanding during the year.

	2023	2022
Net profit for the year (€ thousands)	609,101	428,505
Average number of outstanding shares	610,410,519	609,932,199
Average number of outstanding shares (including potential ordinary shares with dilution effect)	611,794,654	611,424,585
Basic earnings per share	0.998	0.703
Diluted Earnings per Share	0.996	0.701

25.2 Other information

No data to report.

Part D – Consolidated comprehensive income

Analytical Statement of consolidated comprehensive income

(Amounts in € thousand)

Item		Total 2023	Total 2022
10.	Net Profit (Loss) for the year	609,101	428,505
	Other comprehensive income after tax not to be recycled to income statement	**(10,146)**	**12,306**
20.	Equity securities designated at fair value with an impact on total income:	-	-
	a) changes in fair value	-	-
	b) transfers to other components of equity	-	-
30.	Financial liabilities designated at fair value with impact on the income statement (changes in creditworthiness):	-	-
	a) changes in fair value	-	-
	b) transfers to other components of equity	-	-
40.	Hedges of equity securities designated at fair value with an impact on total profitability:	-	-
	a) change in fair value (hedged instrument)	-	-
	b) change in fair value (hedging instrument)	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(15,174)	18,455
80.	Non current assets classified as held for sale	-	-
90.	Valuation reserves from investments accounted for using the equity method	10	(1)
100.	Net finance income (expence) from insurance contracts issued	-	-
110.	Income taxes relating to other income components without reversal to the income statement	5,018	(6,148)
	Other comprehensive income after tax to be recycled to income statement	**1,295**	**(4,308)**
120.	Hedge of foreign investments:	-	-
	a) changes in fair value	-	-
	b) transfer to the income statement	-	-
	c) other changes	-	-
130.	Exchange differences:	-	-
	a) value changes	-	-
	b) transfer to the income statement	-	-
	c) other changes	-	-
140.	Cash flow hedges:	-	-
	a) changes in fair value	-	-
	b) transfer to the income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
150.	Hedging instruments:	-	-
	a) value changes	-	-
	b) transfer to the income statement	-	-
	c) other changes	-	-
160.	Financial assets (no equity securities) measured at fair value with an impact on total profitability:	1,946	(6,437)
	a) changes in fair value	1,946	(5,824)
	b) transfer to the income statement	-	(613)
	1. adjustments to credit risk	-	-
	2. gains / losses from realization	-	(613)
	c) other changes	-	-
170.	Non current assets classified as held for sale:	-	-
	a) changes in fair value	-	-
	b) transfer to the income statement	-	-
	c) other changes	-	-
180.	Valutation reserves from investments accounted for using the equity method;	(8)	-
	a) changes in fair value	(8)	-
	b) transfer to the income statement	-	-
	1. impairment adjustments	-	-
	2. gains / losses from realization	-	-
	c) other changes	-	-
190.	Net finance income (expence) from insurance contracts issued:	-	-
	a) changes in fair value	-	-
	b) transfer to the income statement	-	-
	c) other changes	-	-
200.	Net finance income (expence) from reinsurance contracts held:	-	-
	a) changes in fair value	-	-
	b) transfer to the income statement	-	-
	c) other changes	-	-
210.	Income taxes relating to other income components with reversal to the income statement	(643)	2,129
220.	**Total of other comprehensive income after tax**	**(8,851)**	**7,998**
230.	**Comprehensive income (Items 10 + 220)**	**600,250**	**436,503**
240.	Consolidated comprehensive income attributable to minorities	-	-
250.	**Consolidated comprehensive income attributable to Parent Company**	**600,250**	**436,503**

Part E - Information on Risks and relating hedging policies

Introduction

In order to ensure efficient and effective management of risks, the risk management process is structured consistently with the supervisory provisions for Banks pertaining to the internal control framework.

Risk oversight and control is performed by the Group's Chief Risk Officer Department (CRO), which, as the risk management function, is independent from risk taking units, and is responsible for credit risk, market risk, operational risk and reputational risk.

The Parent Company is responsible for first and second-level monitoring, especially for verifying that individual risk taking is consistent with the guidelines set by the Board of Directors, capital, and prudential supervisory rules.

Organisational framework

The Group's internal control system of the Group provides for the involvement of the following control bodies and functions, each for their respective area of competence:

- the Board of Directors;
- the Chief Executive Officer and General Manager;
- the Board of Statutory Auditors;
- the Risk and Related Parties Committee;
- the Remuneration Committee;
- the Appointments Committee;
- the Corporate Governance and Environmental and Social Sustainability Committee;
- the Supervisory Body set up pursuant to Legislative Decree 231/01;
- the corporate control functions (CRO, Compliance, Internal Audit) as well as other company functions with specific internal control tasks[30].

Corporate bodies and control functions collaborate and coordinate with each other through both specific information flows formalized in internal regulations, and the establishment of managerial committees dedicated to control issues.

The Board of Directors of the Parent Company is tasked with setting strategies and guidelines for the organizational framework, overseeing and monitoring their timely execution within the assigned risk profiles. The Board of Directors is also responsible for establishing and approving risk acknowledgment and evaluation techniques as well as risk management strategic direction and policies. Eventually, the Board of Directors verifies that the internal control framework is consistent with the established risk appetite and approves risk management policies.

The Chief Executive Officer and General Manager has been assigned specific powers by the Board of Directors in all the Group's business areas. These powers shall be exercised in accordance with applicable regulations and within the internal limits established by the strategies, the guidelines, the thresholds, the risk taking procedures and the operational instructions disciplined by the applicable information notices. The Chief Executive Officer and General Manager puts in place the necessary measures to ensure the establishment and maintenance of an efficient and effective internal control system.

As far as risk management is concerned, the Board of Statutory Auditors is responsible for overseeing the completeness, adequacy, functionality and reliability of the Internal Control System and the Risk Appetite Framework. In addition, the Board of Statutory Auditors has been assigned the tasks and responsibilities of the internal control committee and accounting review, pursuant to art. 19 of Legislative Decree No. 39/2010 (as amended by Legislative Decree 135/2016).

The Risks and Related Parties Committee is made up of five non-executive and independent Directors, and has the task of supporting, with an adequate preliminary investigations, the assessments and decisions of the Board of Directors concerning risks and the Internal Control and Risk System, as well as those relating to the approval of periodic financial reports.

The Remuneration Committee is composed of three non-executive and independent Directors and has the task of supporting, with adequate preliminary activities, the assessments and decisions of the Board of Directors in the following main activities: in defining the general remuneration policy for the Chief Executive Officer, the General Manager, the other Executives with strategic responsibilities and the other identified Staff. The Remuneration Committee is also involved in examining stock or monetary incentive plans for employees and the personal financial advisors of the Group and in strategic development policies of human resources.

The Appointments Committee is composed by three non-executive and independent Directors and has the task of supporting the Board of Directors in the process of appointing and co-opting of Directors, the Chief Executive Officer, the General Manager and other members of the top management having strategic responsibilities.

The Corporate Governance and Environmental and Social Sustainability Committee is composed of three non-executive and independent Directors and has the task of supporting the Board of Directors in the following main activities: in defining FinecoBank Corporate Governance Framework, the

[30] Other functions that perform specific control activities include, for relevance, the ICT and Security Risk Control Function (whose tasks are divided by competence between the CRO Department and the Compliance Department), the Anti-Money Laundering and Anti-Terrorism Function and the Validation Function.

Part E - Information on Risks and relating hedging policies

corporate structure and the Group's corporate governance models and guidelines. Eventually, the committee is involved in every sustainability issue relevant to the FinecoBank business model and interaction dynamics with stakeholders.

The Compliance function is in charge of the management of the risk of non-compliance, i.e. the risk of incurring judicial or administrative sanctions, significant financial losses or reputation damages resulting in violations of mandatory rules or self-regulation.

The internal validation function, placed within the Chief Risk Officer Department, is in charge of validating the internal models developed by the competent Group's functions, and it is fully independent from them.

CRO Department, as the risk management function, oversees the proper performance of the Group's risk framework by defining the appropriate methodologies for identifying and measuring the overall current and future risks. Such activity is carried out according to regulatory provisions, following the management decisions envisaged in the Group's Risk Appetite (RAF) and the principles and policies defined by the CRO, through a monitoring activity and ensuring compliance with the established limits.

CRO, with the support of the Chief Financial Officer (CFO), each one for their area of responsibilities, is responsible for proposing the Group Risk Appetite Framework and setting risk management strategies and policies, in line with the Bank's strategies and objectives, coordinating and monitoring their implementation by competent units also pertaining to different company areas.

CRO Department, in the context of second-level controls, is responsible for the management and control of credit, market, operational, ICT and Cyber, reputational risks including ICT risk, interest rate risk, liquidity and sustainability risk in collaboration with the CFO, the CLO and the CIO for their respective areas of competence. As far as communication to Corporate Bodies is concerned (Chief Executive Officer and General Manager, Board of Directors, Risks Committee and Related Parties), the CRO provides a quarterly disclosure on the activity carried out, as well as on the results emerging from the controls performed. The disclosure also incorporate suggestions on the necessary action to address any identified weaknesses, in order to ensure informed management decisions and risk mitigation.

In particular, the Parent Company CRO Department:

- is involved in the definition of the RAF, risk governance policies and the various phases that make up the risk management process, as well as in setting operating limits for the assumption of various risk types. In this context, it has, inter alia, the task of proposing quantitative and qualitative parameters necessary for the definition of the RAF, which also refer to stress scenarios and, in the event of changes to the Group's internal and external operational environment, the adjustment of parameters thereof;
- verifies the adequacy of the RAF;
- continuously checks the adequacy of risk management processes and operating limits;
- develops and maintains risk control models;
- defines the ICT and Cyber risk assessment and control methodology and monitors the level of IT risk to which the Group is exposed with respect to the risk appetite defined by the Parent Company's Board of Directors;
- ensures the effective implementation of the IT risk assessment methodology, supporting and coordinating the individual functions involved during the ICT risk assessment process, each for their competence area;
- defines common operational risk assessment metrics consistent with the RAF, coordinating with the compliance function, the ICT function and the business continuity function;
- defines methods of assessment and control of risks arising from environmental, social and governance factors (ESG), as well as reputational risks, coordinating with the compliance function, the sustainability function and any other function which may be involved;
- assists corporate bodies in assessing strategic risk by monitoring significant variables;
- develops and applies indicators highlighting irregularities and shortfall in the risk measurement and control framework;
- evaluates the risks arising from new products and services. In particular, the identification of risks relating to new products and services is guaranteed by the permanent participation of the CRO in the products committee;
- carries out second-level controls aimed at verifying the correct performance of the credit process at both individual and portfolio level;
- continuously monitors the actual risk assumed by the Group and its consistency with risk objectives as well as compliance with the limits assigned to operating units in relation to the assumption of the various types of risk.

The function carries out monitoring and reporting activities to the corporate bodies (Chief Executive Officer and General Manager, Board of Directors and Board of Statutory Auditors) and to the Risk and Related Parties Committee. Disclosure is provided to the corporate bodies through the Quarterly Report on the Group's risk exposures.

Lastly, the participation by the Chief Risk Officer and the Head of the Compliance function in the Products Committee ensures the oversight of the operational risk associated with new business activities, as well as creating and spreading a risk culture in among the Group's functional areas.

Part E - Information on Risks and relating hedging policies

Risk Appetite

The Group gives great importance to risk management and control, as conditions for guaranteeing a reliable and sustainable growth in a controlled risk environment. The risk management strategy aims at a complete and coherent vision of risks, considering both the macroeconomic scenario and the Group's risk profile, stimulating the spreading of the risk culture and strengthening a transparent and accurate representation of risks embedded in the Group's portfolios. Risk-taking strategies are summarized in the Group's Risk Appetite Framework (RAF) are subsequently approved by the Board of Directors. The RAF is defined to ensure that the risk-taking activities remain in line with shareholders' expectations, taking into account the Group's risk position and the global economic situation.

The main objectives of the risk appetite are:

- explicitly assess the risks, and their interconnections at local and Group level, that the Group is willing to assume (or avoid) in a long-term perspective;
- specifying the types of risk that the Group is willing to assume, as required by legislation, the so-called Risk Appetites, Risk Tolerances and Risk Capacities under both normal operating and stressed operating conditions;
- ensure a risk-return profile "ex-ante" consistent with sustainable long-term growth, as defined by the return forecasts of the multi-year plan/budget;
- ensure that the business develops within the risk tolerance limits established by the Board of Directors, in accordance with the applicable national and international regulations;
- include social and environmental sustainability principles (ESG) in the Group's strategy, business choices and operational management
- support discussions on future strategic choices concerning the risk profile;
- guide the vision of internal and external stakeholders towards a risk profile consistent with the multi-year plan;
- provide qualitative descriptions for risks that are difficult to quantify (e.g. strategic, reputational, compliance) to strategically guide the review of processes and the internal control system.

The Risk Appetite is defined consistently with the Group's business model; for this reason, the Risk Appetite is incorporated in the budget and multi year plan process.

The Risk Appetite includes a Statement and a set of KPIs. The Statement sets out the Group's strategic positioning and the associated risk profile, while KPIs are designed to quantitatively measure the Group's performance in the following categories:

- Capital: includes Pillar I and Pillar II capital adequacy measures and is designed to ensure compliance with the requirements of the Supervisory Authorities at all times;
- Liquidity: including both regulatory and management indicators aimed at monitoring short and long-term liquidity risk - also under stress conditions - as well as the correct balance between Group lending and funding;
- Credit: their objective is to measure the riskiness of the portfolio of loans to ordinary customers, mainly consisting of retail customers;
- Market: aiming to detect the risk/volatility of the Bank's portfolios through market risk comprehensive measures;
- Profitability and risk: these are designed to measure the Group's risk/return profile;
- Interest Rate: include measures of interest rate risk on the banking book in terms of changes in economic value and interest margin;
- Strategic risk: certain types of risk that could threaten the Group's current competitive position and the achievement of its strategic objectives;
- Non-financial risks: these include measures to control operational risks (in particular conduct risk and ICT and Cyber risks), reputational risks, as well as those arising from Environmental, Social and Governance (ESG) factors.

For each of the above mentioned categories, one or more KPIs are identified at a consolidated level. KPI are meant to quantitatively measure the Group's performances under several respects: absolute values, ratio between comparable measures and sensitivity analysis on defined parameters.

The Risk Appetite represent the amount of risk (overall and by type) that the Group is willing to take in pursuit of its strategic objectives.

The Risk Tolerance set the maximum deviation from the Risk Appetite; Tolerance thresholds are set in order to ensure sufficient margins for the Group to operate, even under stress conditions, within the allowed maximum risk taking.

The Risk Capacity stand for the maximum level of risk that the Group is technically able to assume without violating regulatory requirements or other constraints imposed by shareholders or supervisory Authorities.

Thresholds setting is evaluated on a case-by-case basis, also through managerial decisions taken by the Board of Directors, in compliance regulatory and supervisory requirements.

Metrics are the subject to a regular monitoring and reporting, at least quarterly. Monitoring activities are carried out by the CRO Department and the CFO Department according to their competence area.

The definition of the Risk Appetite Framework is a structured process led by the Chief Risk Officer and the Chief Financial Officer, which develops in accordance with the ICAAP, ILAAP and Recovery Plan processes and represents the risk framework within which the Budget and the multi-year plan are developed. Integration between the processes thereof ensure consistency between the risk-taking strategy and policy and the Planning and Budgeting process.

As far as the RAF annual update process is concerned, the main phases are reported below:

- identification of risks; this phase is shared and preparatory to the capital and liquidity adequacy assessment processes (ICAAP/ILAAP). The activity imply the identification by the Parent Company's Risk Management of all the risks - both quantitative and qualitative - to which the Group is or could be exposed, having regard to its operations and reference markets. The risk identification process also include the Legal Entity Fineco Asset Management, whose evaluations are included in the Group consolidated Risk Map;
- definition and approval of the Risk Appetite by the Group Board of Directors;
- quarterly monitoring and reporting of Risk Appetite indicators.

ICAAP - Internal Capital Adequacy Assessment Process

The assessment of the Group's overall risk profile is carried out annually within the ICAAP process, which represents the capital adequacy self-assessment process, whose outcomes are subject to discussion and analysis by the Supervisory Authority.

The ICAAP process includes two complementary perspectives: the regulatory perspective, and the economic perspective. Such perspectives complement each other and they are embedded in business activities and relevant decisions.

With the regulatory perspective, the Group manage capital adequacy, fully ensuring at all times compliance with regulatory requirements and capital related regulatory measures, as well as other internal and external capital constraint. The goal is to guarantee, also in a forward-looking view, own funds are always sufficient to cover the Overall Capital Requirements and Pillar 2 Guidance. With the internal economic perspective, the Group manage capital economic adequacy, ensuring economic risks be sufficiently covered by internal capital resources. The economic perspective takes into account a wider risk perimeter then the regulatory perspective (as a way of example it is worth mentioning interest rate risk).

For Pillar 2 economic perspective, the reference metric is the Risk Taking Capacity, which stands for the ratio between the Available Financial Resources (AFR) and the overall Internal Capital; such metric is quarterly monitored and reported to the Corporate Bodies within the reporting on the Group’s Risk exposure.

Risk culture

As indicated in the Risk Appetite Framework, the Group confirms its strategic approach towards the adoption of a robust business model characterized by a low risk appetite aimed at creating sustainable profit and returns on the cost of capital, guaranteeing continuity in generating revenues. The Group's ambition is to achieve such result with the support of an optimal Internal Control System and effective and efficient procedures aimed at managing every risk.

In order to embody these principles and values, and apply the risk culture in day-to-day activities, numerous initiatives have been adopted, and in particular:

- institution of Managerial Committees aimed at ensuring an adequate risk awareness at all levels of the organization, with the involvement of both business and control structures (so-called ”tone from the top”);
- adoption of incentive mechanisms that consider a risk weighting linked to the annual performance of a subset of RAF indicators (so called “CRO Dashboard”);
- maintenance of a steady relation with the Chief Risk Officers of Fineco AM aimed at sharing information on risk profiles and on development plans, to improve their evolution and risk management;
- realization of regular induction activities with the Board of Directors deeper risk investigation with the Risks and Related Parties Committee;
- a specific training is provided to employees, aimed at developing and standardize risk knowledge and understanding (e.g. related to to ICT and Cyber risks).

Part E - Information on Risks and relating hedging policies

Section 1 – Consolidated financial statements risks

This section provides information referring to FinecoBank and Fineco AM, companies included in the consolidated financial statements risks.

As far as Fineco AM is concerned, risk management and control are ensured by the Risk Management function of the company, entrusted to the Chief Risk Officer, hierarchically dependent on the CEO and functionally dependent on the CRO of FinecoBank S.p.A.. FinecoBank's internal control system is structured according to the regulatory indications provided by the current legislation. Control, monitoring and reporting methodologies already in place in FinecoBank have been extended to Fineco AM adjusting, where necessary, the methods of analysis and controls adapting them to the size, nature and complexity of the business.

Specifically, there are two main risk management activities carried out: the traditional activity of controlling the adherence of the risk/return profile of each fund (Fund Risk Management) and the activity of overseeing operational risks (Operational Risk Management); however provided for in Irish legislation.

Quantitative information

A. Credit quality

As provided for in Circular No. 262 "The banks' Financial Statements: layouts and preparations", on-demand loans to banks and central banks, which are recognised in the balance sheet item "Cash and cash balances", are included in the definition of cash credit exposures but are conventionally excluded from the quantitative credit quality disclosure tables in this Section 1 "Consolidated financial statements risks".

A.1 Impaired and unimpaired exposure: amounts, impairment, changes, distribution by business activity

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

(Amounts in € thousand)

Portfolio/quality	Bad exposures	Unlikely to pay	Past due impaired exposures	Past due unimpaired exposures	Other unimpaired exposures	Total
1. Financial assets at amortised cost	1,110	1,815	1,040	36,735	27,899,509	27,940,209
2. Financial assets at fair value through other comprehensive income	-	-	-	-	29,062	29,062
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	48	48
5. Financial instruments classified as held for sale	-	-	-	-	-	-
Total 12/31/2023	**1,110**	**1,815**	**1,040**	**36,735**	**27,928,619**	**27,969,319**
Total 12/31/2022	**1,405**	**1,421**	**701**	**31,252**	**31,464,665**	**31,499,444**

There are no impaired purchased loans.

Part E - Information on Risks and relating hedging policies

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

(Amounts in € thousand)

Portfolio/quality	Impaired				Unimpaired			Total (net exposure)
	Gross exposure	Total impairment provision	Net exposure	Total partial write-off	Gross exposure	Total impairment provision	Net exposure	
1. Financial assets at amortized cost	24,094	(20,129)	3,965	-	27,954,248	(18,004)	27,936,244	27,940,209
2. Financial assets at fair value through other comprehensive income	-	-	-	-	29,064	(2)	29,062	29,062
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	48	48
5. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-
Total 12/31/2023	**24,094**	**(20,129)**	**3,965**	**-**	**27,983,312**	**(18,006)**	**27,965,354**	**27,969,319**
Total 12/31/2022	**25,229**	**(21,702)**	**3,527**	**-**	**31,515,537**	**(19,898)**	**31,495,917**	**31,499,444**

(Amounts in € thousand)

Portfolio/quality	Assets with of clearly poor credit quality		Other assets
	Accumulated unrealised losses	Net exposure	Net exposure
1. Financial assets held for trading	-	7	5,314
2. Hedging derivatives	-	-	896,577
Total 12/31/2023	**-**	**7**	**901,891**
Total 12/31/2022	**-**	**1**	**1,698,005**

B. Disclosure on structured entities (other than securitization companies)

B.1 Consolidated structured entities

No data to report.

B.2 Non-consolidated structured entities

B.2.1 Consolidated structured entities for supervisory purposes

No data to report.

B.2.2 Other structured entities

Qualitative information

The Group has exposures towards unconsolidated structured entities as a result of investments in units issued by investment funds (UCITS) that qualify as structured entities according to IFRS 12.

Quantitative information

The table below shows the assets, liabilities and off-balance sheet exposure to structured entities represented by unconsolidated UCITS units.

(Amounts in € thousand)

Balance sheet items/type of structured entity	Accounting portfolios of assets	Total assets (a)	Accounting portfolios of liabilities	Total liabilities (b)	Net carrying amount (c=a-b)	Maximum exposure to loss (d)	Difference between exposure to the risk of loss and the carrying amount (e=d-c)
1. Vehicle company	-	-	-	-	-	-	-
2. U.C.I.T.S.	MFV	929		-	929	929	-
	AC	37,833	AC	1,091	36,742	37,833	1,091
	HFT	-		-	-	-	-
Total		**38,762**		**1,091**	**37,671**	**38,762**	**1,091**

Key
MFV = Financial assets mandatorily at fair value   AC = Financial assets at amortised cost   HFT = Assets Held for trading

It should be noted that in the table above, the exposure in “Financial assets mandatorily at fair value“ is represented by U.C.I.T.S. held by the subsidiary Fineco AM, while the assets and liabilities at amortised cost represent, respectively, receivables and payables that the company has towards the ICAV that issued the investment fund.

Part E - Information on Risks and relating hedging policies

Section 2 – Risk of the prudential consolidated perimeter
1.1 Credit risk

Qualitative information

1. General Matters

The Group's objective is to provide an adequate range of products able to satisfy and secure customer loyalty, through a competitive and complete offer. The products offered and under development are consistent with the objective of preserving the portfolio quality and with profitability monitoring processes as well.

Factors generating credit risk are acknowledged according to a specific acceptance and creditworthiness polices, which are always adequately correlated to the risk/return ratio and in line with the Risk Appetite defined by the Board of Directors.

The quality of the loan portfolio, which is constantly monitored and supported by risk mitigation instruments, is overseen by scoring models that contribute to the evaluation during the approval process, ensuring the latter be neat and duly checked. In addition to the risk level assessment, monitoring of the portfolio and its segmentation by product and seniority allow a better understanding of the best loan originating strategies. The identification of any high-risk areas allow intervention on the automated measurement systems as well as on origination policies, with the chance to take measures to limit credit risk in advance.

The credit product offer has evolved over the years, especially through the offer of mortgages loans and the granting of current account credit facilities guaranteed by a pledge on securities and investment funds with the rotational clause (Credit Lombard). Credit Lombard is the solution of FinecoBank to clients holding considerable investments who wish to obtain additional liquidity.

The mortgage offering mainly involves mortgage loans originated for the purchase of first and second homes (including subrogation), as well as those demanded for liquidity purposes. Non-residential mortgages are originated only to a limited extent.

The Group, moreover, has continued to improve already existing by issuing regular credit cards to current account holders and granting personal loans. The latter can also be assessed using the "Instant approval" mode, a service allowing credit applications to be assessed in a few moments and to provide the loan in real time to eligible customers.

Choices concerning the investment of liquidity are governed by a prudential approach aimed at containing credit risk. Such approach mainly involves the subscription of Eurozone government bonds. For more details on government bonds, see the Information on securities issued by sovereign States.

Impacts arising from Russia-Ukraine conflict

As at December 31st, 2023 there are no sign of deterioration in the Group's loans receivable with ordinary customers portfolio arising from Russian-Ukraine conflict. This one indeed is composed by retail loans granted with conservative and careful origination policies, and mostly assisted by real estate or financial collateral. In the case of mortgage loans, the average Loan to Value is indeed equal to 50%, whereas relevant overdraft facilities require the funding of financial collateral, using conservative margins.

2. Credit Risk Management Policy
2.1 Organisational aspects

In order to ensure an adequate credit risk supervision, the FinecoBank Group has adopted an effective internal governance framework, organized on distinct and articulated levels of responsibility.

At the first level, the credit process relating to trade receivables and the process of granting and allocating credit limits (plafond) for institutional counterparties is a responsibility of the Chief Lending Officer (CLO). In this context, the CLO Department carries out both the creditworthiness assessment of clients and counterparties with which the Group carries out credit business and the performance monitoring of individual credit exposures, in order to promptly detect any irregularities and carry out the necessary prudential classifications.

In addition the performance monitoring, the CLO Department also calculates customer default rates by type of product, aimed at intercepting increases in the riskiness of the products offered by the Group to its customers, and at estimating the risk parameters (PD and LGD) used to calculate expected credit losses under IFRS 9.

At the second line of defence, the direction and control of credit and counterparty risk are a responsibility of the Chief Risk Officer. Within the CRO Department, the Credit Risk & Internal Capital Team is responsible for:

- monitoring lending to customers through second-level controls focusing more generally on the overall quality of the Bank's loan portfolio, promptly detecting any irregularities;
- supporting the CLO Department in the development and maintenance of the scoring models used by the Bank for the creditworthiness assessment of its retail customers;
- verifying, through second-level controls, the correct execution of the performance monitoring on individual exposures, assessing the consistency of prudential classifications and the adequacy of provisions;
- monitoring, through second-level controls, the degree of concentration towards individual issuers of securities funded as collateral, and real estate guarantees in areas with high climatic and environmental risk;
- analyzing the risk level of of individual products, periodically verifying the consistency of the retail customers default rates calculated by the CLO Department;
- defining a reporting model for the Group by specifying the rules for identifying stocks and flows;
- defining the credit parameters (PD and LGD) useful for defining product pricing, as part of the launch of a new credit product;
- develop and maintain expected credit losses methodologies in accordance with the IFRS9 accounting standard, and carry out data quality checks on provisions;
- developing and maintain Credit Risk Internal Capital models and apply the related stress scenarios;
- monitoring credit risk and country risk deriving from the Group's strategic investments, taking into adequate consideration the counterparties' exposure to environmental, social and governance (ESG) risks, and their ability to deal with them;
- verifying compliance with operating limits relating to margin trading and developing scenario analyses (stress tests) for assessing the sustainability of operations from an economic and capital point of view;
- supporting the CFO Department in budgeting and forecasting activities related to credit provisioning.

2.1.1 Credit Risk generating factors

In carrying out its credit business the Group is exposed to the risk that loans may not be repaid at maturity, due to the deterioration of the debtor's financial condition, thus resulting in a partial or full write-down. This risk is always inherent in traditional lending operations regardless of the type of credit facility. The main reasons for default lie in the borrower's lack of autonomous ability to ensure the repayment of the debt.

The main causes of default are attributable to the loss of the borrower's autonomous capacity to ensure the repayment of the debt, as well as the onset of macro-economic and political circumstances affecting the financial conditions of the debtor.

In addition to the risk associated with credit granting and originating, the Group is also exposed to counterparty risk. Counterparty risk is defined as the risk that a counterparty to a transaction eventually fails to settle the transaction itself.

Other banking activities, in addition to traditional loans and deposits, may expose the Group to additional credit risks. Counterparty risk may, for example, arise from:

- entering into derivative contracts;
- purchasing and selling securities, futures, or currencies;
- holding third-party securities.

Counterparties to these transactions or the issuers of securities held by the Group companies may fail to meet their obligations due to insolvency, political and economic events, lack of liquidity, operational weakness or other reasons. Failure to comply with a large number of transactions or one or more transactions of a significant amount would have a materially negative impact on the Group's activity, financial condition and operating results.

In addition, "Non-Traditional Credit Risk" is generated by leverage/short transactions conducted through securities lending. Such transactions, despite automatic stop losses being set within the margins, may generate credit risk if the security lacks liquidity (for example, in the case of market turmoil) and/or the margin is insufficient. In order to prevent such events, scenario analyses are conducted periodically to assess the impacts and implement appropriate mitigation policies.

The Group therefore controls and manages the specific risk of each counterparty as well as the overall risk arising from the loan portfolio through processes, structures and rules aimed at directing, controlling and standardizing the assessment and management of this risk, in line with the Group's best practice and principles.

2.2 Management, measurement and control system

Credit risk associated with potential losses arising from customer/issuer default or from a decrease in the market value of a financial security due to the deterioration of its credit rating, is measured at the level of each counterparty/transaction and for the entire portfolio.

As already mentioned, credit risk measurement for trade receivables at origination is carried out by the CLO Department, and it is supported by automated assessment systems (so-called credit scoring systems). These systems also incorporate all available information and facts: public data and private data from Credit Bureaus, flows from the Central Credit register or requests for initial information to the Bank of Italy and other information on customer performance recorded by the Group. During the loan application process, attention shall be focused on taking advantage of every customer related information provided by the Bank and the System.

The collection of any guarantees, their assessment and the margins between the fair value of the guarantee and the granted amount shall be regarded as a supporting tool aimed at mitigating credit risk. There is no relevant positive correlation indeed between the value of the financial collateral and the applicant's creditworthiness. The eligibility, evaluation, monitoring and management rules for any acceptable guarantees within the Fineco Group are disciplined in a specific Collateral Management Policy.

The CRO Department, as the risk management function, carries out second-level controls on all the phases that characterize the credit process relating to trade receivables. The controls, which are mainly based on the development of event-based indicators, focuses on verifying compliance with internal regulations and the delegated powers conferred by the Board of Directors to decision-making structures and on the identification of irregularities at portfolio or at more granular level, also in relation to funded collateral. In addition to the controls described above, a quality and performance assessment of the loan portfolio is also periodically carried out.

The creditworthiness assessment of the counterparties with which the Group carries out credit business is carried out by the CLO Department as part of the credit limits granting and allocation process (plafond) to the Counterparty's Economic Group, i.e. considering the Group's exposure to all the subjects legally or economically connected to the counterparty. The Plafonds are "risk ceilings" and stand for the highest limits in terms of credit risk that the Group is willing to accept vis-à-vis a specific counterparty.

The Board of Directors annually approves the Risk Appetite and the "Investment Plan"; the first one defines the propensity and limits for the Group's strategic investments, the second one provides an indication of the composition of the Group's strategic investments. According to the guidelines of the Board of Directors, the Group defines specific risk limits (plafond) towards each FIBS counterparty ("Financial Institutions, Banks and Sovereigns") with which the Group will have a credit exposure, always in compliance with the large exposure regulatory limits, where applicable. The Plafond mechanism allows the Group to limit and monitor concentration risk towards single counterparties (single name concentration) and the relevant economic group.

The Group has a Global Policy "Credit business with financial institutions, banks, sovereign and corporate counterparties" aimed at defining the principles and rules for an efficient and complete assessment, control and limitation of credit and counterparty risk linked to the credit business carried out with the aforementioned counterparties. Issuers of bonds kept in the banking book as investments are also in scope. As established in the Global Policy, the CLO Department, in addition to the counterparty's creditworthiness assessment and the risk limits approval required by the various Group functions in accordance with the delegated powers in force from time to time, carries out an operational monitoring. The latter is aimed at ensuring that all Group functions comply at all times with the assigned limits, Large Exposures and Related Parties limits, and that the Group's counterparties maintain a sufficiently high credit rating.

The CRO Department, on the other hand, carries out systematic monitoring at a centralized and single counterparty level with significant exposure, focusing on the analysis of a series of Early Warning indicators. The Department also carries out second-level controls on the compliance with the Large Exposures limit and on exposures to Related Parties.

Basically, the second level monitoring process carried out by the CRO Department aims to analyze credit quality and risk exposure dynamics by calculating summary risk indicators and representing their evolution over time. Outcomes may be used for preparing action plans aimed at mitigating or avoiding credit risk factors. In particular, the CRO Department prepares the quarterly report on the Group's risk exposures, addressed to the Board of Directors; in this context are highlighted the trend of the loan portfolio and the outcomes of the second level controls carried out in the reference period. With particular reference to the trade receivables portfolio, the report shows the analysis of flows between classifications, the stock of impaired loans and the positions that benefit from payment holidays and the related expected losses. The report also highlights the results of the second level controls carried out in the reference period on the concentration of financial collateral acquired by the Group as credit protection for overdraft facilities. With reference to exposures to financial, banks and sovereign counterparties, the report highlights the results of issuer risk, counterparty risk and country risk monitoring.

As far as country risk is concerned, several indicators are being monitored, among which those developed by a team of researchers in collaboration with the World Bank (Worldwide Governance Indicator). The aim of such indicators is to summarize the effectiveness of the policies implemented by the governmental authorities of different nations. To complement the latter, also a specific environmental risk indicator, called ND-Gain, developed by a team of researchers from the US University of Notre Dame is being monitored. This indicator considers two fundamental variables: the level of vulnerability of a country to climate change ("vulnerability") and the positioning of the respective nation in terms of economic, social and governance capacity to cope with it ("readiness"). In the end, the two indicators are compared in order to determine that country's exposure to climate and environmental risks.

Starting from January 1st, 2018, following the adoption of IFRS 9 accounting standard, a new accounting impairment model for credit exposures has been adopted. Such model is based on (i) an "expected losses" approach instead of the "incurred losses" approach provided by the previous one and (ii) on the concept of the expected lifetime loss. For more details, see section 2.3. Expected losses measurement methods.

Part E - Information on Risks and relating hedging policies

Impacts arising from the Russia – Ukraine military conflict

As at December 31st, 2023, there were no significant impacts of the crisis deriving from the Russia – Ukraine military conflict in terms of migration of positions to non-performing exposures or increase in the credit risk of the counterparties with which the Group carries out credit business. Any increase in terms of credit provisioning on certain credit exposures are not directly attributable to the military conflict, but to the substantial deterioration of the macroeconomic situation.

2.3 Expected losses measurement methods

In accordance with IFRS 9 accounting principle, financial assets at amortized cost, financial assets at fair value through other comprehensive income and relevant off-balance sheet exposures are subject to impairment.

These instruments shall be classified in stage 1, stage 2 or stage 3 depending on their absolute or relative credit rating, compared to the initial recognition. In particular:

- Stage 1: this includes newly originated or acquired credit exposures and exposures that have not suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 2: this includes performing credit exposures having nevertheless suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 3: this includes impaired credit exposures.

For Stage 1 exposures, the impairment is equal to the expected loss calculated on a time frame of up to one year.

For Stage 2 and 3 exposures, the impairment is equal to the expected loss calculated on a timeframe equivalent to the residual duration of the related exposure.

In order to meet the required standard, the Group has developed specific expected loss models. Such models draw on the PD and LGD estimated in conservatively manner, to which specific adjustments have been made in order to ensure full cohesion with the accounting standard. In this regard, forward-looking information has also been included with the elaboration of specific scenarios.

The expected loss is calculated for institutional counterparties, leveraging on risk parameters provided by the external supplier Moody's Analytics.

In order to calculate expected losses for retail counterparties, not having internal rating systems available, PD and LGD parameters are estimated with a different methodology depending on the type of product.

For unsecured loans, the PD is estimated by a model developed internally by the CRO Department which, based on the portfolio performance of the last 7 years (in line with the maximum maturity of the product), calculates a PD curve to which each individual position is associated. LGD is calculated taking into consideration the average amount of the recovery of non-performing loans, determined and updated on an analytical basis by the credit collection function and on the basis of the information available to the Bank.

For mortgage loans, in the absence of sufficient historical depth of default and recovery data (Fineco has been issuing mortgages since 2016), a PD curve is used, estimated with conservative criteria with respect to the default rates currently recorded. LGD is estimated using a model that takes into consideration the average coverage applied to non-performing exposures, determined and updated on an analytical basis by the credit collection function on the basis of the information available to the Bank, the legal fees for recovery, the amount of the residual debt, and the ratio between the latter and the value of the real estate collateral (Exposure to Value - ETV). In estimating LGD, the model also takes into account climate and environmental risks (physical risk), using as drivers the EPC label of the real estate collateral as well as their possible geographical location in areas at high environmental risk (seismic and hydrogeological).

For the other exposures, the PD is replaced by the average default rate observed by the transition matrices that record the transition to non-performing, while the LGD is calculated by taking into consideration the average amount of the recovery of non-performing loans, determined and updated on an analytical basis by the function debt collection on the basis of the information available to the Bank.

Lastly, in order comply with IFRS 9 requirements, the parameters resulting from proxy and models shall be corrected using forward looking information.

A key aspect deriving from the accounting standard IFRS 9 is the Stage Allocation model, whose purpose is to transfer exposures between Stage 1 and Stage 2 (as Stage 3 is equivalent to that of impaired exposures), where Stage 1 mainly includes newly originated exposures and those which have not suffered a significant increase in credit risk compared to the initial recognition.

The Stage Allocation assessment model always apply at transaction level, and it is based on a combination of relative and absolute elements: The main elements are:

- the comparison between the counterparty's rating at the reference date and that recorded at the date of origination / first recognition. The methodology provides that the position goes to stage 2 when a certain threshold is exceeded, set in terms of notches from the rating detected at the date of first recognition;
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);
- other internal findings (forborne classification).

With reference to institutional counterparties issuing the securities that the Group purchases as strategic investments, or with which the Group carries out credit business, the approach used is that based on the external rating assigned by the Moody's agency. As already mentioned, the methodology envisages that the position shift into stage 2 when a certain threshold is breached, set in terms of notches from the rating recorded at the date of initial recognition.

With reference to retail counterparties, in the absence of internal ratings, the Group makes use of the backstops envisaged by the regulations and further internal evidence. In this context, all exposures that are more than 30 days past due, regardless of the materiality of the past due, or for which additional information is available which suggests a deterioration in the creditworthiness of the counterparty, are classified in stage 2. For retail exposures classified in stage 2, unlike exposures classified in stage 3, there is no a cure period for returning to the previous risk class. Consequently, when the conditions for classification to stage 2 cease to exist (for example the 30 days past due), provided that there is no further evidence that suggests a deterioration in the creditworthiness of the counterparty, the exposures are automatically reclassified in stage 1.

The criteria for determining write-downs for loans and receivables are based on the discounting of expected cash flows of principal and interest, which, according to the portfolio management model, may also refer to market operations. In order to determine the present value of cash flows, the basic requirement is the identification of estimated proceeds, the timing of payments and the discounting rate used.

The loss amount on impaired exposures classified as bad loans, unlikely to pay and past due according to the categories specified below, is calculated as the difference between the value at first recognition and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed-rate positions, the interest rate determined in this manner is also held constant in future accounting years, while for floating rate positions the interest rate is updated according to contractual terms.

If the original interest rate is not directly available, or where its detection is judged as excessively expensive, the interest rate best approximating the original one is applied, including through practical expedients not affecting the substance and ensure consistency with international accounting standards.

Recovery timings are estimated according to business plans or forecasts based on the experience of historical recovery timings observed for similar classes of loans, taking into account the customer segment, type of loan, type of guarantee and any other factors deemed relevant or, if the conditions exist, of expected market transactions.

Parameters and risk level definitions used in the calculation of provisions

As mentioned above, ECL models leverage on PD, LGD and EAD parameters, as well as the effective interest rate. Models are used for the calculation of provisions for all institutional counterparties, most of which are Financial Institutions, Banks and Sovereigns (FIBS counterparties).

Specifically:

- PD (Probability of Default) expresses the percentage probability that the credit exposure will incur in a default event, within a defined timeline (e.g. 1 year);
- LGD (Loss Given Default) expresses the percentage of estimated loss (1-recovery rate) shall the default event actually occur;
- EAD (Exposure at Default) expresses the measurement of the exposure at the time of the credit position default event;
- Effective Interest Rate is the discount rate expressing the time value of the money.

Such parameters are calculated starting from long period ones, also used for the internal capital calculation, adjusted in order to ensure compliance with the IFRS 9 accounting principle.

The main adjustments are made in order to:

- introduce point-in-time adjustments required by the accounting principle;
- include forward-looking information;
- extend the credit risk parameters to a multi-year perspective.

In order to get lifetime PD, the through-the-cycle PD curves, obtained from cumulative default rates, were adapted to reflect point-in-time and forward-looking provisions of portfolio default rates.

Recovery rates incorporated in the through-the-cycle LGD have been adapted in order to remove the prudential margin and to reflect the latest trends in recovery rates, as well as expectations on future trends discounted to the actual interest rate or its best approximation.

With reference to Stage 3, it should be noted that it includes impaired exposures to debtors that fall, in accordance with Bank of Italy rules, defined in Circular no. 272 of 30 July 2008 and subsequent updates, into the "Non-performing" category pursuant to Regulation 630/2019 amending Regulation (EU) no. 575/2013 and Commission Implementing Regulation (EU) no. 451/2021, as amended and supplemented (Implementing Technical Standards). Financial instruments included in the portfolio "Financial assets held for trading" and derivative contracts are excluded.

For the purposes of identifying and classifying impaired credit exposures, account must also be taken of the provisions of the EBA Guidelines on the application of the definition of default pursuant to Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council (EBA/GL/2016/07) and EU Regulation 2018/171. Impaired credit exposures must, during the 3-month "cure period" provided for in paragraph 71(a) of EBA/GL/2016/07, continue to be recognised in the relevant categories in which they were located.

In particular, reference is made to the EBA definition of Non-Performing exposures and to the definition of impaired assets established by the Bank of Italy, as reported in the section Part A - Accounting Policies – Impairment of the notes to the consolidated accounts as at December 31, 2023.

Forward-looking information used in calculating write-downs

The expected credit loss deriving from the parameters described in the forgoing paragraph considers macroeconomic forecasts through the application of multiple scenarios to the forward-looking components.

Specifically, the forward-looking component is determined by three macroeconomic scenarios, a basic scenario ("Baseline"), a positive scenario and an adverse scenario. The basic scenario is the main reference one, as it is the one considered most likely; the positive and adverse scenarios stand for alternative events, respectively better and worse.

Changes applied for military conflict between Russia and Ukraine

Al already explained in the previous paragraph, the IFRS 9 principle require that, as far as Expected Credit Losses estimation is concerned, not only current and historical information be used, but also forward-looking information shall be taken into account.

In order to adjust the IFRS-9 risk parameters with the forward-looking information updated to the crisis caused by the military conflict between Russia and Ukraine, the FinecoBank Group uses a series of macroeconomic scenarios developed by the external supplier Moody's Analytics. For further details, please refer to the appropriate paragraph "Measurement of expected credit losses".

Part E - Information on Risks and relating hedging policies

Assessment of the Significant Increase in Credit Risk (SICR)

As of December 31st, 2023, there are no positions suffering a significant increase in credit risk directly related to the military conflict between Russia and Ukraine.

Measurement of Expected Credit Losses

As at December 31st, 2023, for the calculation of Expected Credit losses on performing exposures, the Group has used risk parameters (PD and LGD) adjusted with macroeconomic scenarios provided by the external supplier Moody's Analytics. Such scenarios incorporate forward-looking information which consider the different possible evolutions of the geopolitical and economic crisis triggered by the military conflict between Russia and Ukraine.

As anticipated in the Expected Credit Losses calculation methodology section, the forward-looking component is made of three macroeconomic scenarios; a baseline scenario, a positive scenario and an adverse scenario. The baseline scenario is weighted 40% as it is the one more likely to come true, whereas the positive and adverse scenario are weighted 30% each, and they stand for alternative outcomes, respectively better and worse.

The baseline scenario used to calculate the ECL as of December 31st, 2023 considers slight fluctuations in the prices of commodities (oil and natural gas) in the short term and a substantial stabilization in the medium/long term, assuming that there are no interruptions in supplies during winter and that the military conflict between Russia and Ukraine continues without spreading to third countries. It is also assumed that the ECB has reached the peak of its restrictive monetary policy campaign, while inflation continues to fall, without, however, reaching the strategic threshold of 2% by the end of 2024. Finally, further waves of COVID 19 infections are hypothesized, but without any substantial impact on the economy. In consideration of the macroeconomic context outlined above, growth forecasts for the Eurozone's Gross Domestic Product (GDP) are estimated at 0.65%.

In Italy, a country in which the Group holds almost all of its exposures to retail customers, the growth forecasts for Gross Domestic Product for 2023 are estimated at 1.19%, to then reduce slightly during 2024. The trend is determined on the one hand by the poor growth of investments, due to the still high interest rates, on the other by the gradual recovery of consumption, determined by the reduction in inflation;

Other macroeconomic parameters, such as the 10 years government yields, are also considered in macroeconomic scenarios, depending on the credit facility and the type of counterparty involved.

The favourable scenario used to calculate the ECLs as of December 31st, 2023 assumes a rapid resolution of the Russian/Ukrainian conflict with a consequent easing of geopolitical tensions. The lower uncertainty regarding energy supplies leads to a reduction in prices, contributing to the reduction of inflation. The strengthening of the economy allows the ECB to intervene more incisively against inflation, leading to a continuation of the restrictive monetary policy. In Italy, the scenario translates into a forecast of growth of the Gross Domestic Product of 1.37% in 2023, increasing to 2.62% in 2024 and then settling in the medium/long term between 1.6 and 2%.

The adverse scenario used for the calculation of the ECLs as of December 31st, 2023 instead assume a worsening of the geopolitical crisis, with the consequent growth of a widespread feeling of fear of escalation of the conflict in NATO, and an increase in tensions between China and the United States for the control of trade routes. To relieve pressure on sovereign debt, the ECB reverses course and resumes the expansionary monetary policy by purchasing government bonds, but not quickly enough to prevent the collapse of financial markets. The forecasts in this scenario translate into modest growth levels in Italy in 2023, equal to 0.89%, with a sharp reversal of trend in 2024 (-4.16%) and a gradual return to growth starting from 2025.

As of December 31st, 2023, assuming to apply only the positive scenario on the overall Group's exposures we would record risk adjustments for around € 0.4 million, whereas assuming to apply only the adverse scenario, the estimated risk adjustments would be equal to € 9.8 million. Considering all the scenarios - adopting weightings mentioned above - the Group's estimated provisions as of December 31st, 2023 are equal to € 3.3 million.

Details about the forecasts of the main macroeconomic data used in the scenarios are detailed in the following table:

Scenarios	Variables	2023	2024	2025	2026	2027
Baseline (40%)	Eurozone-GDP (Δ%)	0.65%	1.04%	1.78%	1.84%	1.66%
	ITA-GDP (Δ%)	1.19%	1.00%	1.60%	1.97%	1.93%
	ITA-Debt/GDP ratio	139%	137%	137%	136%	132%
	ITA-Unemployment rate	7.77%	8.06%	8.22%	8.34%	8.40%
	ITA-Inflation	5.87%	1.83%	1.30%	1.39%	1.59%
Favorable (30%)	Eurozona-GDP (Δ%)	0.85%	2.88%	1.85%	1.66%	1.64%
	ITA-GDP (Δ%)	1.37%	2.62%	1.60%	1.81%	1.92%
	ITA-Debt/GDP ratio	139%	134%	133%	131%	128%
	ITA-Unemployment rate	7.74%	7.80%	7.88%	8.05%	8.18%
	ITA-Inflation	5.88%	2.03%	1.37%	1.35%	1.62%
Unfavorable (30%)	Eurozona-GDP (Δ%)	0.36%	-4.00%	1.13%	3.28%	2.00%
	ITA-GDP (Δ%)	0.89%	-4.16%	0.99%	3.38%	2.23%
	ITA-Debt/GDP ratio	139%	149%	154%	152%	148%
	ITA-Unemployment rate	7.94%	10.02%	11.04%	10.40%	9.86%
	ITA-Inflation	5.85%	0.59%	0.09%	1.23%	1.55%

2.4 Credit risk mitigation techniques

In order to mitigate the risk in the different forms of credit granting, the Group acquires several types of collateral. For mortgage loans, the Group mainly acquires residential properties as collateral through mortgages, while various types of securities are accepted as pledges on overdraft facilities, including shares, bonds, investment funds, insurance and government securities.

Even when there is a collateral, the Group carries out an overall credit risk assessment, mainly focusing on the customer's earning capacity regardless of the ancillary guarantee provided. The valuation of the pledged guarantees is based on the real value, understood as the market value for securities listed on a regulated market. Percentage haircuts (margins) are applied to the value thus determined, differentiated according to the securities used as collateral and the concentration of the instrument in the customer's portfolio provided as collateral.

For real estate guarantees, the principles and rules are described in the "Normativa erogazione crediti commerciali" policy. In particular, the Group grants its customers loans for a maximum amount equal to 80% of the value of the mortgaged assets. The ratio between the amount of the loan granted and the value of the real estate property, certified as described above, is called Loan To Value (LTV), and is calculated on the entire property covered by the guarantee. Depending on the purpose of the loan (purchase, subrogation, refinancing and liquidity), more stringent LTV limits may be required. At December 31st, 2023, the average LTV of the mortgage portfolio was approximately 50%.

The real estate evaluation is carried out by external technicians included in the Register of Engineers, Architects, Surveyors or industrial experts and is therefore not subject to conflicts of interest. The value of the real estate properties is monitored on an annual basis through market revaluation indices, estimated by an external supplier specialized in real estate market valuations. This activity is aimed at identifying any properties that need revaluation and may also be carried out more frequently if market conditions are subject to significant changes.

For financial collateral, on the other hand, the principles and rules are described in the "Collateral Management" policy. The evaluation of securities takes place by taking into consideration several parameters, including the issue rating, the liquidity class, the capitalization and the inclusion in a recognized index. Such parameters, depending on the type of instrument being valued, may affect not only the eligibility of the instrument itself, but also the margin considered in order to determine the amount of the loan.

The monitoring of the financial collateral value is carried out on a daily basis by automatic procedures that perform the Mark to Market of each individual security booked in the collateral deposits, and compare the resulting value with the amount entrusted during the origination phase. In the event of losses exceeding the threshold value, the resolution methods are assessed on a case-by-case basis in agreement with the customer.

3. Impaired credit exposures

3.1 Management strategies and policies

Loans prudential classification as past due, unlikely to pay or bad exposure is carried out consistently with the criteria set forth by the Bank of Italy, by the EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council (EBA/GL/2016/07) and EU Regulation 2018/171. The classification as bad exposure, linked to the customer's insolvency, shall always be individually assessed and defined according to the outcome recovery actions. Loss provisioning estimate shall also be individual for positions classified as past due and unlikely to pay.

As far as overdraft are concerned, the classification criterion is related to the outcome of recovery actions or the forced sale of securities to cover debts.

Reclassification of exposures to a better risk category shall only be authorised if the overdue amount has been paid in full, consistently with the original payment schedule. Alternatively, the exposure may be classified to a better risk category where considerable payments have been made, leading to believe that the debt exposure is very likely to be repaid.

Handling procedure for overdue performing loans involves specific credit recovery actions, according to the amount of overdue days.

3.2 Write-off

The Group records a write-off of a financial asset whenever there are no reasonable expectations of recovering capital and interests.

The evaluations on possible write-offs are implemented based on different criteria, listed below (by way of example and not exhaustive), such as:

- untraceable of borrower and/or guarantor, if present;
- lack of enforceable assets (i.e. lack of salary, real estate);
- unprofitable and expensive judicial actions in relation to the receivable;
- decease of the debtor and possible no living heirs and / or renunciation of the inheritance.

In any case, the Group policy is to not continue recovery activities after a write-off has been recorded.

3.3 Purchased or originated impaired financial assets

The Group's current business model and company policies approved by the Board of Directors do not expect any purchase of impaired loans or origination of new credit facilities in any form (personal loans, mortgages, current account credit facilities, etc.) to already non-performing customers.

4. Commercial renegotiations and forbearance measures

Renegotiations of financial instruments determining a change in the contractual terms are recognized, as described above, according to the materiality of variations in the contractual terms. The evaluation of the materiality of changes shall be carried out considering both qualitative and quantitative terms, in particular whenever liabilities are concerned. For more details reference is made to the paragraph "Renegotiations" on part A – Accounting policies of the Notes to the consolidated accounts as at December 31st, 2023.

As of December 31st, 2023, no relevant increase in forbearance measures have been detected.

Part E - Information on Risks and relating hedging policies

Quantitative information

A. Credit quality

As provided for in Circular No. 262 "The banks' financial statements: layouts and preparations", on-demand loans to banks and central banks, recognised in the balance sheet item "Cash and cash balances", are included in the definition of cash credit exposures but are conventionally excluded from the tables on quantitative credit quality disclosures in Section 2 "Risks of the prudential consolidation", with the exception of tables A.1.2, A.1.4, A.1.6, A.1.6bis and A.1.8 and B.3.

A.1 Impaired and unimpaired credit exposures: amounts, impairment, changes, distribution by business activity

A.1.1 Prudential consolidation: distribution of financial assets by maturity bands (balance sheet values)

(Amounts in € thousand)

Portfolios / stages of risk		Stage 1			Stage 2			Stage 3			Purchased or originated credit-impaired		
		From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days
1. Financial assets at amortised cost		26,240	4,768	255	108	4,661	703	23	29	3,288	-	-	-
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-
3. Financial instruments classified held for sale		-	-	-	-	-	-	-	-	-	-	-	-
Total	**12/31/2023**	**26,240**	**4,768**	**255**	**108**	**4,661**	**703**	**23**	**29**	**3,288**	**-**	**-**	**-**
Total	**12/31/2022**	**24,495**	**2,839**	**108**	**331**	**1,731**	**1,748**	**57**	**12**	**3,205**	**-**	**-**	**-**

Part E - Information on Risks and relating hedging policies

A.1.2 Prudential Consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and total provisions

(Amounts in € thousand)

Causal / risk stages	Total value adjustments																	
	Stage 1 financial assets						Stage 2 financial assets						Stage 3 financial assets					
	Loans and receivables on-demand to banks and Central Banks	Financial assets at amortised cost	Financial assets at fair through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Loans and receivables on-demand to banks and Central Banks	Financial assets at amortised cost	Financial assets at fair through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Loans and receivables on-demand to banks and Central Banks	Financial assets at amortised cost	Financial assets at fair through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns
Total opening adjustments	**(121)**	**(15,296)**	**(2)**	**-**	**-**	**(15,419)**	**-**	**(4,602)**	**-**	**-**	**-**	**(4,602)**	**-**	**(21,703)**	**-**	**-**	**(17,646)**	**(4,057)**
Changes in increase from financial assets acquired or originated	(68)	(1,512)	-	-	-	(1,580)	-	(946)	-	-	-	(946)	-	(1,600)	-	-	(74)	(1,526)
Cancellations other than write-offs	42	2,735	-	-	-	2,777	-	397	-	-	-	397	-	463	-	-	149	314
Net value adjustments / write-backs for credit risk	18	1,411	-	-	-	1,429	-	(218)	-	-	-	(218)	-	(2,427)	-	-	(1,096)	(1,331)
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	-	-	-	-	-	-	26	-	-	-	26	-	5,138	-	-	4,958	180
Other variations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,150)	1,150
Total closing adjustments	**(129)**	**(12,662)**	**(2)**	**-**	**-**	**(12,793)**	**-**	**(5,343)**	**-**	**-**	**-**	**(5,343)**	**-**	**(20,129)**	**-**	**-**	**(14,859)**	**(5,270)**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	(74)	-	-	(68)	(6)

Part E - Information on Risks and relating hedging policies

A.1.2 Prudential Consolidation - Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and total provisions

(continued)

(Amounts in € thousand)

Causal / risk stages	Total value adjustments - Purchased or originated impaired financial assets: Financial assets at amortised cost	Financial assets at fair through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Total provisions on commitments to disburse funds and financial guarantees issued: Stage 1	Stage 2	Third stage	Commitments to provide funds and financial guarantees issued impaired acquired or originated	Tot.
Total opening adjustments	**-**	**-**	**-**	**-**	**-**	**(34)**	**-**	**(2)**	**-**	**(41,760)**
Changes in increase from financial assets acquired or originated	X	X	X	X	X	(181)	-	(36)	-	**(4,343)**
Cancellations other than write-offs	-	-	-	-	-	10	-	-	-	**3,647**
Net value adjustments / write-backs for credit risk	-	-	-	-	-	16	-	1	-	**(1,199)**
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	**-**
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	**-**
Write-offs non recorded directly in the income statement	-	-	-	-	-	-	-	-	-	**5,164**
Other variations	-	-	-	-	-	-	-	-	-	**-**
Total closing adjustments	**-**	**-**	**-**	**-**	**-**	**(189)**	**-**	**(37)**	**-**	**(38,491)**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	**-**
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	-	-	**(74)**

A.1.3 Regulatory consolidation - Financial assets, commitments and financial guarantees: transfers between the different stages (gross amount and nominal)

(Amounts in € thousand)

Portfolios/stages	Gross exposure/nominal value - Transfer between stage 1 and stage 2: To stage 2 from stage 1	To stage 1 from stage 2	Transfer between stage 2 and stage 3: To stage 3 from stage 2	To stage 2 from stage 3	Transfer between stage 1 and stage 3: To stage 3 from stage 1	To stage 1 from stage 3
1. Financial assets at amortized cost	9,965	2,949	769	108	4,700	131
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments and financial guarantees given	4	-	-	3	181	30
12/31/2023	**9,969**	**2,949**	**769**	**111**	**4,881**	**161**
12/31/2022	**29,157**	**817**	**722**	**26**	**3,359**	**239**

Part E - Information on Risks and relating hedging policies

A.1.4 Prudential Consolidated - Cash and off-balance sheet credit exposures to banks: gross and net values

(Amounts in € thousand)

Type of exposure/amounts	Gross exposures					Total value adjustments and total credit risk provisions					Net Exposure	Total Write-off*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE SHEET CREDITS EXPOSURES												
A.1 ON DEMAND	**2,266,673**	**2,266,673**	**-**	**-**	**-**	**(129)**	**(129)**	**-**	**-**	**-**	**2,266,544**	**-**
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	2,266,673	2,266,673	-	X	-	(129)	(129)	-	X	-	2,266,544	-
A.2 OTHERS	**2,993,849**	**2,993,847**	**-**	**-**	**-**	**(251)**	**(251)**	**-**	**-**	**-**	**2,993,598**	**-**
a) Bad exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non performing past due	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	2,993,849	2,993,847	-	X	-	(251)	(251)	-	X	-	2,993,598	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**5,260,522**	**5,260,520**	**-**	**-**	**-**	**(380)**	**(380)**	**-**	**-**	**-**	**5,260,142**	**-**
B. OFF-BALANCE SHEET CREDITS EXPOSURES												
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	974,246	17,170	-	X	-	(1)	(1)	-	X	-	974,245	-
TOTAL (B)	**974,246**	**17,170**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**-**	**-**	**974,245**	**-**
TOTAL (A+B)	**6,234,768**	**5,277,690**	**-**	**-**	**-**	**(381)**	**(381)**	**-**	**-**	**-**	**6,234,387**	**-**

It should be noted that financial assets held for trading, derivative contracts and off-balance sheet transactions other than those subject to the impairment rules under IFRS 9 have been classified, by convention, as non-impaired exposures, but have not been included in the columns providing a breakdown by risk stage.

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to securities lending transactions and repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to € 60,183 thousand.

Part E - Information on Risks and relating hedging policies

A.1.5 Prudential consolidation - Cash and off-balance-sheet exposures to customers: gross and net values

(Amounts in € thousand)

Type of exposure/Amounts	Gross exposures					Total value adjustments and total credit risk provisions					Net Exposure	Total Write-off*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-		Stage 1	Stage 2	Stage 3	Purchased or originated credit-		
A. ON-BALANCE SHEET CREDITS EXPOSURES												
a) Bad exposures	**16,019**	**X**	**-**	**16,019**	**-**	**(14,909)**	**X**	**-**	**(14,909)**	**-**	**1,110**	**-**
- of which: forborne exposures	267	X	-	267	-	(246)	X	-	(246)	-	21	-
b) Unlikely to pay	**5,665**	**X**	**-**	**5,665**	**-**	**(3,850)**	**X**	**-**	**(3,850)**	**-**	**1,815**	**-**
- of which: forborne exposures	570	X	-	570	-	(336)	X	-	(336)	-	234	-
c) Non performing past due	**2,410**	**X**	**-**	**2,410**	**-**	**(1,370)**	**X**	**-**	**(1,370)**	**-**	**1,040**	**-**
- of which: forborne exposures	18	X	-	18	-	(14)	X	-	(14)	-	4	-
d) Performing past due exposures	**37,227**	**31,440**	**5,787**	**X**	**-**	**(492)**	**(176)**	**(316)**	**X**	**-**	**36,735**	**-**
- of which: forborne exposures	12	-	12	X	-	(1)	-	(1)	X	-	11	-
e) Other performing exposures	**24,952,281**	**24,911,651**	**40,587**	**X**	**-**	**(17,261)**	**(12,234)**	**(5,027)**	**X**	**-**	**24,935,020**	**-**
- of which: forborne exposures	2,213	-	2,213	X	-	(40)	-	(40)	X	-	2,173	-
TOTAL (A)	**25,013,602**	**24,943,091**	**46,374**	**24,094**	**-**	**(37,882)**	**(12,410)**	**(5,343)**	**(20,129)**	**-**	**24,975,720**	**-**
B. OFF-BALANCE SHEET CREDITS EXPOSURES												
a) Non performing	318	X	-	247	-	(115)	X	-	(70)	-	203	-
b) Performing	2,657,916	297,191	317	X	-	(188)	(187)	-	X	-	2,657,728	-
TOTAL (B)	**2,658,234**	**297,191**	**317**	**247**	**-**	**(303)**	**(187)**	**-**	**(70)**	**-**	**2,657,931**	**-**
TOTAL (A+B)	**27,671,836**	**25,240,282**	**46,691**	**24,341**	**-**	**(38,185)**	**(12,597)**	**(5,343)**	**(20,199)**	**-**	**27,633,651**	**-**

It should be noted that financial assets held for trading, derivative contracts and off-balance sheet transactions other than those subject to the impairment rules under IFRS 9 have been classified, by convention, as non-impaired exposures, but have not been included in the columns providing a breakdown by risk stage.

In addition, in the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to securities lending transactions and to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to € 205,025 thousand.

A.1.6 Prudential consolidated perimeter - On-balance sheet credit exposures to banks: gross changes in non-performing exposures

No data to report.

Part E - Information on Risks and relating hedging policies

A.1.6bis Prudential consolidated perimeter - On-balance sheet credit exposures to banks: gross changes in forborne non-performing exposures breakdown by credit quality

No data to report.

A.1.7 Prudential Consolidation – On-balance sheet credit exposures per case to customers: the dynamics of gross deteriorated exposures

(Amounts in € thousand)

Causals/ category	Bad Exposures	Unlikely to pay	Impaired past due exposures
A. Opening balance (gross amount)	**19,104**	**4,459**	**1,666**
- of which: sold non-cancelled exposures	-	-	-
B. Increases	**2,420**	**3,978**	**2,381**
B.1 transfers from performing loans	781	2,702	2,118
B.2 entry from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other impaired exposures	1,596	282	-
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	43	994	263
C. Decreases	**(5,505)**	**(2,772)**	**(1,637)**
C.1 transfers to perfomorming loans	-	(65)	(293)
C.2 write-offs	(5,026)	(184)	(2)
C.3 recoveries	(468)	(997)	(688)
C.4 sales proceeds	-	-	-
C.5 losses on disposals	-	-	-
C.6 transfers to other impaired exposures	-	(1,292)	(586)
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	(11)	(234)	(68)
D. Closing balance (gross amounts)	**16,019**	**5,665**	**2,410**
- of which: sold but not derecognised	-	-	-

Part E - Information on Risks and relating hedging policies

A.1.7bis Prudential Consolidation - Cash credit exposure to customers: trends in gross exposures subject to separate credit ratings

(Amounts in € thousand)

Description/Quality	Forborne exposures impaired	Forborne exposures not impaired
A. Opening balance (gross amount)	**829**	**2,223**
- Sold but not derecognised	-	-
B. Increases	**302**	**1,140**
B.1 Transfers from performing not forborne exposures	-	1,101
B.2. Transfers from performing forborne exposures	29	X
B.3. Transfers from impaired forborne exposures	X	-
B.4 Transfers from impaired not forborne exposure	-	-
B.5 other increases	273	39
C. Decreases	**(276)**	**(1,138)**
C.1 Transfers to performing not forborne exposures	X	(945)
C.2 Transfers to performing forborne exposures	-	X
C.3 transfers to impaired exposures not forborne	X	(29)
C.4 write-offs	(39)	-
C.5 recoveries	(179)	(152)
C.6 sales proceeds	-	-
C.7 losses on disposals	-	-
C.8 other decreases	(58)	(12)
D. Closing balance (gross amounts)	**855**	**2,225**
- Sold but not derecognised	-	-

A.1.8 Prudential consolidated perimeter - On-balance sheet credit exposures to banks: changes in overall impairment

No data to report.

Part E - Information on Risks and relating hedging policies

A.1.9 Prudential Consolidated - Credit exposures for non-performing loans to customers: changes in total value adjustments

(Amounts in € thousand)

Description/Category	Bad Exposures		Unlikely to pay		Impaired Past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance overall amount of writedowns	**(17,699)**	**(234)**	**(3,038)**	**(311)**	**(965)**	**(13)**
- Sold but not derecognised	-	-	-	-	-	-
B. Increases	**(2,727)**	**(76)**	**(2,550)**	**(165)**	**(1,233)**	**(20)**
B.1 impairment losses on acquired or originated assets	-	X	-	X	-	X
B. 2 other value adjustments	(1,562)	(33)	(2,351)	(136)	(1,223)	(12)
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfer from other impaired exposure	(1,150)	(43)	(180)	(13)	-	-
B. 5 contractual changes without cancellations	-	-	-	-	-	-
B.6 other increases	(15)	-	(19)	(16)	(10)	(8)
C. Reductions	**5,517**	**64**	**1,738**	**140**	**828**	**19**
C.1 write-backs from assessments	123	15	210	49	169	1
C.2 write-backs from recoveries	369	10	358	50	282	3
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-offs	5,026	39	184	-	2	-
C.5 transfers to other impaired exposures	-	-	967	41	363	15
C. 6 contractual changes without cancellations	-	-	-	-	-	-
C.7 other decreases	(1)	-	19	-	12	-
D. Closing overall amount of writedowns	**(14,909)**	**(246)**	**(3,850)**	**(336)**	**(1,370)**	**(14)**
- Sold but not derecognised	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.2 Breakdown of financial assets, commitments and financial guarantees given by internal and external ratings

A.2.1 Prudential Consolidation - Distribution of financial assets, commitments to disburse funds and financial guarantees issued: by external rating classes (gross values)

(Amounts in € thousand)

Exposures	External rating classes						Without rating	Total
	Class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets valued at amortized cost	**8,978,762**	**6,254,363**	**6,227,579**	**179**	**-**	**-**	**6,517,459**	**27,978,342**
- Stage 1	8,978,762	6,254,363	6,227,579	179	-	-	6,446,990	27,907,873
- Stage 2	-	-	-	-	-	-	46,374	46,374
- Stage 3	-	-	-	-	-	-	24,095	24,095
- Purchased or originated impaired	-	-	-	-	-	-	-	-
B. Financial assets valued at fair value with impact on overall profitability	**29,064**	**-**	**-**	**-**	**-**	**-**	**-**	**29,064**
- Stage 1	29,064	-	-	-	-	-	-	29,064
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**9,007,826**	**6,254,363**	**6,227,579**	**179**	**-**	**-**	**6,517,459**	**28,007,406**
D. Commitments and financial guarantees given	**-**	**-**	**17,170**	**-**	**-**	**-**	**297,695**	**314,865**
- Stage 1	-	-	17,170	-	-	-	297,191	314,361
- Stage 2	-	-	-	-	-	-	317	317
- Stage 3	-	-	-	-	-	-	187	187
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**17,170**	**-**	**-**	**-**	**297,695**	**314,865**
Total (A+B+C+D)	**9,007,826**	**6,254,363**	**6,244,749**	**179**	**-**	**-**	**6,815,154**	**28,322,271**

The table shows the breakdown of on-balance sheet and off-balance-sheet exposures to counterparties with an external rating. Rating agencies provide a summary assessment on the creditworthiness of different type of counterparties: Countries, Banks, Public Bodies, Insurance Companies and Businesses, usually large-scale.

The table refers to the classification set forth in the Bank of Italy Circular no. 262/2005 regarding external ratings, which envisages 6 classes of creditworthiness.

The above representation refers to the Standard and Poor's ratings, which were also associated to the ratings of the other two main Agencies, Moody's and Fitch. When there were two credit ratings for an individual exposure provided by two rating agencies the worst rating was recognised; if there were three different ratings the two best ratings were identified and, if they were different, the worst rating from these was recognised.

As part of the calculation of statutory requirements, by using the standard risk calculation method, the Group relies on the rankings of rating agencies in order to determine the weighting coefficients for exposures to Central governments and Covered bank bonds. In general, a weighting factor of 100% is applied to the remaining credit exposures, subject to the exceptions established by CRR 575/2013, including, for example, exposures to central governments and central banks of Member States denominated and funded in the national currency of those central governments and central banks to which a 0% risk weight is applied, as specified in Article 114 of the CRR.

As of December 31, 2023, retail credit exposures mainly consist of personal loans, mortgages credit cards spending - both installment or revolving -, unsecured and secured overdraft facilities and securities lending not externally rated. Rated exposures to non-retail entities derive mainly from securities issued by Sovereign counterparties and from credit exposures to leading banks with high credit ratings.

Part E - Information on Risks and relating hedging policies

A.2.2 Prudential consolidated perimeter - Breakdown of on-balance sheet and off-balance-sheet financial assets, commitments and financial guarantees given: breakdown by internal rating class (gross amount)

This table has not been included because internal ratings are not used to managed credit risk.

A.3 Breakdown of secured exposures by type of collateral

A.3.1 Regulatory consolidation - Secured on-balance sheet and off-balance-sheet exposures to banks

(Amounts in € thousand)

			Real guarantees (1)				Personal guarantees (2)	
							Credit derivatives	
								Other derivatives
	Gross exposure	Net exposures	Property - mortgages	Property - Financial leases	Securities	Other real guarantees	CLN	Central counterparties
1. Secured on-balance sheet exposures:	**628,500**	**628,500**	**-**	**-**	**621,906**	**-**	**-**	**-**
1.1 totally secured	397	397	-	-	396	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
1.2 partially secured	628,103	628,103	-	-	621,510	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**17,166**	**17,165**	**-**	**-**	**17,165**	**-**	**-**	**-**
2.1 totally secured	17,166	17,165	-	-	17,165	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.3.1 Regulatory consolidation - Secured on-balance sheet and off-balance-sheet exposures to banks

(continued)

(Amounts in € thousand)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Signature credits				
	Other derivatives							
	Banks	Other financial entities	Other entities	Public entities	Banks	Other financial entities	Other entities	
1. Secured on-balance sheet exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**621,906**
1.1 totally secured	-	-	-	-	-	-	-	396
- of which impaired	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	621,510
- of which impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,165**
2.1 totally secured	-	-	-	-	-	-	-	17,165
- of which impaired	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-

A.3.2 Regulatory consolidation - Secured on-balance sheet and off-balance-sheet exposures to customers

(Amounts in € thousand)

	Gross exposure	Net exposures	Real guarantees (1)				Personal guarantees (2)	
							Credit derivatives	
								Other derivatives
			Property - Mortgages	Property - Financial leases	Securities	Other real assets	CLN	Central counterparties
1. Secured on-balance sheet:	**5,027,535**	**5,022,167**	**2,499,627**	**-**	**2,354,904**	**68,093**	**-**	**-**
1.1 totally secured	5,021,577	5,016,240	2,498,630	-	2,353,313	68,063	-	-
- of which: impaired	2,136	1,456	1,101	-	354	1	-	-
1.2 partially secured	5,958	5,927	997	-	1,591	30	-	-
- of which: impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**299,381**	**299,203**	**-**	**-**	**235,990**	**4,020**	**-**	**-**
2.1 totally secured	299,348	299,170	-	-	235,970	4,019	-	-
- of which: impaired	124	123	-	-	123	-	-	-
2.2. partially secured	33	33	-	-	20	1	-	-
- of which: impaired	-	-	-	-	-	-	-	-

A.3.2 Regulatory consolidation - Secured on-balance sheet and off-balance-sheet exposures to customers

(continued)

(Amounts in € thousand)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Signature credits				
	Other derivatives							
	Banks	Other financial entities	Other entities	Public entities	Banks	Other financial entities	Other entities	
1. Secured on-balance sheet:	**-**	**-**	**-**	**-**	**-**	**95,829**	**-**	**5,018,453**
1.1 totally secured	-	-	-	-	-	95,829	-	5,015,835
- of which: impaired	-	-	-	-	-	-	-	1,456
1.2 partially secured	-	-	-	-	-	-	-	2,618
- of which: impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**59,181**	**-**	**299,191**
2.1 totally secured	-	-	-	-	-	59,181	-	299,170
- of which: impaired	-	-	-	-	-	-	-	123
2.2. partially secured	-	-	-	-	-	-	-	21
- of which: impaired	-	-	-	-	-	-	-	-

A.4 Prudential consolidated perimeter - Financial and non-financial assets obtained through the enforcement of guarantees received

No data to report.

Part E - Information on Risks and relating hedging policies

B. Distribution and concentration of credit exposures

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

(Amounts in € thousand)

Exposures/Counterparty		Public entities		Financial entities		Financial companies (of which: insurance companies)	
		Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet credit exposures							
A.1 Bad loans		-	-	-	(1)	-	-
- of wich: forborne exposures		-	-	-	-	-	-
A.2 Unlikely to pay		-	-	5	(21)	-	-
- of wich: forborne exposures		-	-	-	-	-	-
A.3 Past-due impaired loans		-	-	-	-	-	-
- of wich: forborne exposures		-	-	-	-	-	-
A.4 Performing exposures		18,777,185	(5,514)	524,683	(461)	22,693	(3)
- of wich: forborne exposures		-	-	-	-	-	-
Total (A)		**18,777,185**	**(5,514)**	**524,688**	**(483)**	**22,693**	**(3)**
B. Off-balance sheet exposures							
B.1 Impaired		-	-	-	-	-	-
B.2 Unimpaired		78	-	267,359	(143)	-	-
Total (B)		**78**	**-**	**267,359**	**(143)**	**-**	**-**
Total (A+B)	**12/31/2023**	**18,777,263**	**(5,514)**	**792,047**	**(626)**	**22,693**	**(3)**
Total (A+B)	**12/31/2022**	**21,024,339**	**(7,242)**	**383,897**	**(474)**	**28,909**	**(8)**

Part E - Information on Risks and relating hedging policies

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

(continued)

(Amounts in € thousand)

Exposures/Counterparty		Non-financial entities		Households	
		Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet credit exposures					
A.1 Bad loans		-	(4)	1,110	(14,904)
- of wich: forborne exposures		-	-	21	(246)
A.2 Unlikely to pay		25	(91)	1,785	(3,738)
- of wich: forborne exposures		-	-	234	(336)
A.3 Past-due impaired loans		1	(3)	1,039	(1,367)
- of wich: forborne exposures		-	-	4	(14)
A.4 Performing exposures		1,340	(12)	5,668,548	(11,766)
- of wich: forborne exposures		-	-	2,184	(41)
Total (A)		**1,366**	**(110)**	**5,672,482**	**(31,775)**
B. Off-balance sheet exposures					
B.1 Impaired		-	-	203	(115)
B.2 Unimpaired		2,478	-	2,182,789	(45)
Total (B)		**2,478**	**-**	**2,182,992**	**(160)**
Total (A+B)	**12/31/2023**	**3,844**	**(110)**	**7,855,474**	**(31,935)**
Total (A+B)	**12/31/2022**	**3,123**	**(79)**	**8,141,090**	**(33,587)**

Exposures connected to the counterparty risk related to securities lending or borrowing transactions are not included.

B.2 Regulatory consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by geography

(Amounts in € thousand)

Exposures/Geographical area	Italy		Other european countries		America
	Net exposures	Total impairments	Net exposures	Total impairments	Net exposures
A. On-balance sheet exposures					
A.1 Bad loans	1,106	(14,872)	2	(23)	2
A.2 Unlikely to pay	1,810	(3,832)	-	-	-
A.3 Impaired past-due exposures	1,039	(1,368)	1	(2)	-
A.4 Unimpaired exposures	11,240,477	(15,874)	11,976,729	(1,619)	768,740
Total (A)	**11,244,432**	**(35,946)**	**11,976,732**	**(1,644)**	**768,742**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	203	(115)	-	-	-
B.2 Unimpaired exposures	2,444,672	(187)	7,392	-	57
Total (B)	**2,444,875**	**(302)**	**7,392**	**-**	**57**
Total (A+B) 12/31/2023	**13,689,307**	**(36,248)**	**11,984,124**	**(1,644)**	**768,799**
Total (A+B) 12/31/2022	**16,084,949**	**(38,659)**	**11,775,258**	**(2,303)**	**764,055**

Part E - Information on Risks and relating hedging policies

B.2 Regulatory consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by geography

(continued)

(Amounts in € thousand)

Exposures/Geographical area	America	Asia		Rest of the world	
	Total impairments	Net exposures	Total impairments	Net exposures	Total impairments
A. On-balance sheet exposures					
A.1 Bad loans	(13)	-	-	-	(1)
A.2 Unlikely to pay	-	5	(17)	-	(1)
A.3 Impaired past-due exposures	-	-	-	-	-
A.4 Unimpaired exposures	(110)	258,455	(99)	727,355	(51)
Total (A)	**(123)**	**258,460**	**(116)**	**727,355**	**(53)**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	-	-	-	-	-
B.2 Unimpaired exposures	-	579	-	4	(1)
Total (B)	-	**579**	**-**	**4**	**(1)**
Total (A+B) 12/31/2023	**(123)**	**259,039**	**(116)**	**727,359**	**(54)**
Total (A+B) 12/31/2022	**(285)**	**258,468**	**(88)**	**669,719**	**(47)**

Exposures connected with the counterparty risk relating to the granting or borrowing of securities on loan are excluded.

B.3 Regulatory consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geography

(Amounts in € thousand)

Exposures/Geographical Area	Italy		Other european countries		America
	Net exposures	Total impairments	Net exposures	Total impairments	Net exposures
A. On-balance sheet exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-
A.4 Not impaired exposures	3,119,761	(160)	1,157,325	(144)	161,587
Total (A)	**3,119,761**	**(160)**	**1,157,325**	**(144)**	**161,587**
B. Off-balance sheet credit exposures					
B.1 Impaired exposure	-	-	-	-	-
B.2 Unimpaired exposure	17,341	(1)	896,721	-	-
Total (B)	**17,341**	**(1)**	**896,721**	**-**	**-**
Total (A+B) 12/31/2023	**3,137,102**	**(161)**	**2,054,046**	**(144)**	**161,587**
Total (A+B) 12/31/2022	**3,482,724**	**(182)**	**2,907,496**	**(161)**	**98,925**

B.3 Regulatory consolidation - Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geography

(continued)

(Amounts in € thousand)

Exposures/Geographical Area	America	Asia		Rest of the world	
	Total impairments	Net exposures	Total impairments	Net exposures	Total impairments
A. On-balance sheet exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-
A.4 Not impaired exposures	(20)	-	-	821,469	(56)
Total (A)	**(20)**	**-**	**-**	**821,469**	**(56)**
B. Off-balance sheet credit exposures					
B.1 Impaired exposure	-	-	-	-	-
B.2 Unimpaired exposure	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**
Total (A+B) 12/31/2023	**(20)**	**-**	**-**	**821,469**	**(56)**
Total (A+B) 12/31/2022	**(7)**	**-**	**-**	**718,953**	**(50)**

Exposures connected with the counterparty risk relating to the granting or borrowing of securities on loan are excluded.

B.4 Large exposures

As at December 31st, 2023, the "risk positions" constituting a "large exposure" pursuant to the Commission Implementing Regulation (EU) No 451/2021 of 17 December 2020 which establishes technical implementation rules with regard to the reporting of entities for supervisory purposes in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, and subsequent Regulations that modify the content (CRR), are the following:

- book value: € 24,433,004 thousand, excluding the reverse repo transactions and indirect exposures as defined below;
- non-weighted value: € 29,498,847 thousand, including repurchase agreements and indirect exposures;
- weighted value: € 1,600,545 thousand, including repurchase agreements and indirect exposures;
- number of "risk positions": 31.

It should be noted that, in accordance with the EBA Guidelines on connected customers pursuant to Article 4, paragraph 1, point 39) of CRR, the large exposures also include counterparties with links to central governments that, although they do not individually exceed the 10% threshold of the eligible capital for large exposures, exceed this limit when the exposure to the sovereign to which they are linked by a control relationship is also considered.

It should be also noted that CRR introduced the requirement to apply the "Substitution Approach", whereby an Institution, when reducing its exposure to a client using a credit risk mitigation technique eligible under Article 399, paragraph 1, treats, in the manner set out in Article 403, the portion of the exposure corresponding to the reduction as an exposure to the protection provider rather than to the client. This implies compliance with the limits set by Article 395 CRR on the sum of direct exposures to clients and exposures represented by collateral received ("indirect exposures"). In addition, the Regulation requires institutions to add to the total exposures toward a client the exposures arising from derivative contracts where the contract has not been directly concluded with that client but the underlying debt or equity instrument has been issued by that client ("indirect exposures").

Following the deconsolidation of FinecoBank from the UniCredit Group took place, FinecoBank and UniCredit S.p.A. have entered into a contract (Pledge Agreement) which provides for the granting by UniCredit S.p.A. of financial guarantees in favour of FinecoBank aimed at guaranteeing credit risk exposures represented by UniCredit bonds, until their natural expiry, and from the financial guarantees issued by FinecoBank in favour of the Agency of Enter at the request of UniCredit S.p.A., until they are completely extinguished. These guarantees meet the requirements of the applicable legislation to be eligible in the context of credit risk mitigation techniques (CRM), with the consequent reduction in the exposure to UniCredit Group for the purposes of determining the Fineco Group's large exposures.

Finally, please note that deferred tax assets within the exposure towards the Italian Central Government have been exempted and, therefore, their weighted value is null.

Part E - Information on Risks and relating hedging policies

C. Securitisation transactions

Qualitative information

No data to report.

Quantitative information

No data to report.

D. Sales Transactions

A. Financial assets sold and partially derecognised

Qualitative information

The Group, specifically the Parent Company, carries out repurchase and reverse repurchase agreements and securities lending transactions secured by cash, which are, in substance, equivalent to repurchase agreements, using own securities and securities not recognised as assets, received through reverse repurchase and securities lending transactions. Owned securities engaged in repurchase agreements have not been eliminated from the balance sheet as the Group enters into repurchase agreements with the obligation for the transferee to resell at maturity the assets involved in the transaction on a forward basis and retains all risks associated with ownership of the securities.

The Parent Company also carries out securities lending transactions with collateral represented by other securities, as lender, against its own securities.

Quantitative information

D.1 Regulatory consolidation - Financial assets sold but not derecognised and associated financial liabilities: carrying value

(Amounts in € thousand)

	Financial assets sold but not derecognised				Associated financial liabilities		
	Carrying amount	of which: securisation	of which: repurchase agreement	of which: impaired	Carrying amount	of which: securisation	of which: repurchase agreement
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivative instruments	-	-	-	X	-	-	-
B. Other financial assets mandatorily at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets at amortised cost	**2,270,336**	**-**	**2,270,336**	**-**	**2,313,880**	**-**	**2,313,880**
1. Debt securities	2,270,336	-	2,270,336	-	2,313,880	-	2,313,880
2. Loans	-	-	-	-	-	-	-
Total 12/31/2023	**2,270,336**	**-**	**2,270,336**	**-**	**2,313,880**	**-**	**2,313,880**
Total 12/31/2022	**3,642,588**	**-**	**3,642,588**	**-**	**3,466,841**	**-**	**3,466,841**

Please note that the amount of financial liabilities in the table above has been shown gross of the accounting off-setting made according to IAS 32.

The above table excludes financial assets sold under securities lending transactions without collateral or with collateral represented by other securities, with which no liability is associated.

D.2 Prudential consolidated perimeter - Financial assets sold partially recognized and associated financial liabilities: carrying value

No data to report.

D.3 Prudential consolidated perimeter - Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognised: fair value

No data to report.

Part E - Information on Risks and relating hedging policies

B. Assets sold and fully derecognised with recognition of continuing involvement

Qualitative information

No data to report.

Qualitative information

No data to report.

C. Financial assets sold and fully derecognised

Qualitative information

No data to report.

Qualitative information

No data to report.

D. Prudential consolidated - Covered bond transactions

No data to report.

E. Prudential consolidated - Credit Risk Measurement Models

Credit Risk Measurement – Trading Book

The monitoring of credit risk as part of the management of the trading book is conducted through the daily measurement of VaR and Credit Spread VaR. Such measurements directly affect the calculation of the Group's Internal Capital. It should be noted though that the trading book credit risk exposure remains extremely limited.

Credit Risk Measurement – Banking Book

The banking book of the Group consists mainly of securities, current accounts with credit institution and deposits with Bank of Italy. Institutional counterparties are assigned with the rating class. Retail customer activities are limited to the granting of personal loans, mortgages, credit cards and credit lines.

Part E - Information on Risks and relating hedging policies

Disclosure of exposures in securities issued by Sovereigns

The Group is exposed to the sovereign debt of some countries, having invested a portion of its assets in debt securities issued by governments and recognized in the caption “Financial assets designated at fair value through other comprehensive income” and in “Financial assets at amortised cost”. The following table shows the nominal value, the carrying amount and the fair value of these exposures as at December 31st, 2023. The Group is exposed in debt securities issued by Sovereigns which are classified under the caption "Other financial assets mandatorily at fair value" accounts for € 48 thousand.

In addition, the Group hold investments in debt securities issued by Supranational institutions and Agencies accounted for in "Financial assets at amortised cost”.

(Amounts in € thousand)

	Nominal value as at	Carrying amount as at	Fair value as at	% Financial statements item
	12/31/2023	12/31/2023	12/31/2023	12/31/2023
Italy	**5,206,299**	**5,144,659**	**4,925,281**	**15.4%**
Financial assets at amortised cost	5,206,299	5,144,659	4,925,281	18.4%
Spain	**4,822,000**	**4,569,998**	**4,521,863**	**13.7%**
Financial assets at amortised cost	4,822,000	4,569,998	4,521,863	16.4%
Germany	**175,000**	**171,792**	**161,508**	**0.5%**
Financial assets at amortised cost	175,000	171,792	161,508	0.6%
France	**1,508,500**	**1,495,107**	**1,368,430**	**4.5%**
Financial assets at fair value through other comprehensive income	35,000	29,062	29,062	100.0%
Financial assets at amortised cost	1,473,500	1,466,045	1,339,368	5.2%
U.S.A.	**565,611**	**553,551**	**550,809**	**1.7%**
Financial assets at amortised cost	565,611	553,551	550,809	2.0%
Austria	**671,000**	**677,113**	**611,262**	**2.0%**
Financial assets at amortised cost	671,000	677,113	611,262	2.4%
Ireland	**960,500**	**934,278**	**917,835**	**2.8%**
Financial assets at amortised cost	960,500	934,278	917,835	3.3%
United Kingdom	**23,014**	**22,924**	**22,935**	**0.1%**
Financial assets at amortised cost	23,014	22,924	22,935	0.1%
Belgium	**715,000**	**720,605**	**657,501**	**2.2%**
Financial assets at amortised cost	715,000	720,605	657,501	2.6%
Portugal	**330,000**	**371,608**	**339,108**	**1.1%**
Financial assets at amortised cost	330,000	371,608	339,108	1.3%
Switzerland	**21,598**	**21,726**	**21,723**	**0.1%**
Financial assets at amortised cost	21,598	21,726	21,723	0.1%
Saudi Arabia	**90,000**	**90,338**	**77,339**	**0.3%**
Financial assets at amortised cost	90,000	90,338	77,339	0.3%
Chile	**203,100**	**212,968**	**175,140**	**0.6%**
Financial assets at amortised cost	203,100	212,968	175,140	0.8%
China	**165,832**	**165,270**	**137,489**	**0.5%**
Financial assets at amortised cost	165,832	165,270	137,489	0.6%
Latvia	**30,000**	**29,772**	**23,964**	**0.1%**
Financial assets at amortised cost	30,000	29,772	23,964	0.1%
Iceland	**15,000**	**14,973**	**13,068**	**0.0%**
Financial assets at amortised cost	15,000	14,973	13,068	0.1%
Total sovereign exposures	**15,502,454**	**15,196,682**	**14,525,255**	**45.6%**

The % reported in line with Sovereign counterparties and in the item "Total Sovereign exposures" have been determined on the Group’s total assets, whereas those reported in line with the balance sheet items have been determined on the total of the individual items of the financial statements.

It should be noted that securities denominated in currencies other than euro have been converted into euro according to the spot exchange rate at the reference date of the financial statements.

As at December 31st, 2023, investments in debt securities issued by Sovereign States accounted for 45.6% of the Group’s total assets and none of them were structured debt securities.

Part E - Information on Risks and relating hedging policies

The following table shows the sovereign ratings as at December 31st, 2023 for countries to which the Group is exposed, provided by Fitch Ratings, Moody's and Standard & Poor's.

	Moody's	Fitch Ratings	Standard & Poor's
Italy	Baa3	BBB	BBB
Spain	Baa1	A-	A
Germany	Aaa	AAA	AAA
France	Aa2	AA-	AA
USA	Aaa	AA+	AA+
Austria	Aa1	AA+	AA+
Ireland	Aa3	AA-	AA
Belgium	Aa3	AA-	AA
Portugal	A3	A-	BBB+
United Kingdom	Aa3	AA-	AA
Switzerland	Aaa	AAA	AAA
Saudi Arabia	A1	A+	A
Chile	A2	A-	A+
China	A1	A+	A+
Latvia	A3	A-	A+
Iceland	A2	A	A+

Part E - Information on Risks and relating hedging policies

1.2 - Market risk

Market risk derives from changes in market variables (interest rates, securities prices, exchange rates, etc.) affecting the economic value of the Group's portfolio. The latter includes assets held in the trading book (assets held for trading) as well as those in the banking book, i.e. the transactions connected to strategic investment choices.

Risk Management Strategies and Processes

The Board of Directors of FinecoBank sets strategic guidelines for market risks taking, approves the market risk general framework and any significant changes, relating to the organisational structure, strategies, and methodologies and defines maximum risk appetite level.

The strategic approach of the Group is to maintain the minimum level of market risk compatibly with business needs and the limits established by the Risk Appetite Framework approved by the Board of Directors.

Market risk in FinecoBank is defined through two sets of limits:

- Overall measures of market risk (e.g. VaR): which are meant to establish a boundary to the internal capital absorption and to the economic loss accepted in trading activities; these limits must be consistent with assigned revenue targets and the defined risk taking capacity;
- Granular measures of market risk (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with the overall limits; in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for granular limits aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

Structure and Organisation

The Market & Liquidity Risk function, within the CRO Department, in full compliance with local legal and regulatory obligations is tasked primarily – but not exclusively – with:

- defining, implementing and refining adequate metrics at a global level to measure the exposure to market risk;
- proposing, based on the defined metrics, risk limits consistent with the risk appetite approved by the Board of Directors;
- calculating risk metrics for the global and granular measures for the Group's portfolios;
- checking that the measurements are consistent with the approved limits;
- initiating the escalation process when limits are exceeded, engaging the Group’s Top Management;
- discussing and approving new products with innovative and complex market risk profiles.

Impacts of the crisis unfolded by Russia-Ukraine military conflict

During 2023, no impacts on the market risk profile resulting from the Russia-Ukraine military conflict were recorded. Furthermore, no impacts on the market risk profile resulting from the aforementioned events were recorded in 2023, neither with regard to the banking book nor with regard to the trading book.

Risk measurement and reporting framework

Trading Book

The main tool used by the Group to measure the market risk of trading positions is Value at Risk (VaR), calculated using the historic simulation approach.

The historic simulation method involves the daily revaluation of positions on the basis of market price trends over an appropriate observation period. The resulting distribution of profits and losses is analysed to determine the effect of extreme market fluctuations on portfolios. The percentile value of the distribution corresponding to the set confidence level represents the VaR. The following parameters are used to calculate the VaR: confidence level 99%; time horizon of 1 day; daily update of the time series; observation period of 250 days.

Part E - Information on Risks and relating hedging policies

Banking Book

The primary responsibility for monitoring and controlling Market Risk management in the banking book lies with the Group's competent Bodies. The Parent Company CRO Department is responsible for monitoring market risk on the banking book by defining the structure, the relevant data and the frequency for adequate reporting.

Market risk in the banking book mainly consists of credit spread risk, interest rate risk and exchange rate risk.
The first one mainly arises from investments in debt securities held for liquidity purposes. Market risk associated with the bond portfolio is monitored and restrained by limits on the notional amount, Economic Value sensitivity and the Value at Risk.

The second one, interest rate risk is managed for stabilization purposes. The banking book interest rate risk measure covers the dual aspect of the value and the net interest income/expense of the Group. More precisely, the different, and complementary, perspectives involve:

- Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the Group may be viewed as the present value of the expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities. A relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 basis point rate shock. Such measure is considered relevant to assess the economic value impact of various changes in the yield curve. The economic value sensitivity is also calculated according to the scenarios envisaged by EBA. A monitoring variable from this perspective is the value at risk resulting from interest rate risk component only;
- Income perspective: the focus of analysis is the impact of changes of interest rates on accrued or reported Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities. An example of a risk measure used is the Net Interest Income sensitivity for a 200bp parallel shock in rates. Such measure provides an indication of the impact that such a shock would have on the net interest margin over the next 12 months.

The third one is exchange rate risk. This exposure mainly derives from a mismatching of assets and liabilities in USD. Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

Procedures and methodologies for valuation of Trading Book positions

The Group ensures that the value applied to each trading book position appropriately reflects the current fair (market) value, i.e. the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of each financial instrument is based on, or derived from, observable market prices or inputs. The availability of observable prices or other market variables differs by product and market, and might change over time.

If observable prices or parameters are readily and regularly available (i.e. satisfying adequate liquidity requirements), they are directly employed in the determination of fair value (mark-to-market).

In non-active markets or for certain instruments, for which observable prices or inputs are not available, fair value is calculated using valuation techniques that are appropriate for the specific instrument (mark-to-model). This approach involves estimation and judgement, therefore, it might require valuation adjustments in order to take into account bid-ask spreads, liquidity and counterparty risk, besides the employed pricing model. In addition, each pricing model used for *fair value* calculation is validated by a dedicated function independent from business units.

In order to ensure an adequate separation between developing functions and validating functions, all valuation models developed shall be centrally tested and validated by functions fully independent from those that have developed the model thereof. Model validation is also centrally carried out for any new system or analysis tool whose outcome has a potential impact on the Group's economic results.

In addition to daily marking to market or marking to model, the CRO Department carries out an Independent Price Verification (IPV). This is the process through which market prices or model inputs are regularly verified for accuracy and independence. Whereas marking to market or marking to model may be performed daily by front-office dealers, the verification of market prices and model inputs is performed on a monthly basis.

Risk measures

VaR

The VaR calculated within market risk measurement for both the banking and trading book is based on the historical simulation approach. The selected model has several advantages:

- it is easy to understand and communicate;
- it does not require any specific assumptions about the functional form of the distribution of yields of the risk factors;
- it does not require an estimation of the variance-covariance matrix of the market factors that may affect the value of the portfolio.

- it captures the correlation structure reflected in the simultaneous changes in market factors, implicitly assuming that it will remain constant in the future.

On the other hand VaR models based on historical simulations do not provide any information on the amount of the loss exceeding the VaR. This why the Group's framework uses additional instruments such as stress tests.

1.2.1 Interest rate risk and price risk – regulatory trading book

Qualitative information

A. General Matters

The trading book is used to hold debt securities (ordinary and subordinated, structured and plain vanilla), equity instruments, and certificates – listed and non-listed – related to brokerage activities with retail customers.

The Group does not perform proprietary trading and does not assume speculative positions in its books. Accounting movements in the Group's trading book are recorded against brokerage activities with retail customers. Such activities mainly concern the dealing on own account activity, on the basis of which FinecoBank acts as a direct counterparty to its clients. This activity, which also includes the systematic internalization of a defined selection of securities and the market making activity on the certificates issued by the Bank, is carried out according to the provision of MiFID regulation which allows the possibility of executing orders relating to financial instruments in a plurality of trading venues, including the dealing on own account.

B. Processes for managing and methods for measuring interest rate risk and price risk

For a characterization of both internal risk monitoring, managing processes and risk assessment methodologies, please refer to the introduction.

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Regulatory trading book: distribution by maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – Currency: Euro

(Amounts in € thousand)

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	3	-
+ Short positions	-	-	-	3	72	-	3	-
- Others								
+ Long positions	466	124,718	172	-	526	-	3,752	-
+ Short positions	466	124,457	172	-	526	-	3,658	-
3.2 Without underlying security								
- Options								
+ Long positions	-	294	-	-	-	-	-	-
+ Short positions	-	256	-	-	-	-	-	-
- Others derivatives								
+ Long positions	-	97,389	150	24,600	-	-	-	-
+ Short positions	20	101,969	260	24,080	-	-	-	-

Item 3.1 “Financial Derivatives with underlying securities - Other Derivatives” includes spot contracts for the purchase and sale of securities, other than shares and UCITS units, to be settled in times established by market practices ("regular way").

Item 3.2 “Financial Derivatives without underlying securities - Other Derivatives” includes spot contracts for the purchase and sale of foreign currencies, to be settled in times established by market practices ("regular way").

Part E - Information on Risks and relating hedging policies

Currency: Other currencies

(Amounts in € thousand)

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others								
+ Long positions	-	81,338	-	13	2	-	-	-
+ Short positions	-	83,841	-	13	2	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	367	-	-	-	-	-	-
+ Short positions	-	417	-	-	-	-	-	-
- Others derivatives								
+ Long positions	35	118,339	647	42,180	-	-	-	-
+ Short positions	17	113,483	522	42,604	-	-	-	-

Item 3.1 “Financial Derivatives with underlying securities - Other Derivatives” includes spot contracts for the purchase and sale of securities, other than shares and UCITS units, to be settled in times established by market practices ("regular way").

Item 3.2 “Financial Derivatives without underlying securities - Other Derivatives” includes spot contracts for the purchase and sale of foreign currencies, to be settled in times established by market practices ("regular way").

The effects of changes in the yield curve on net interest margin arising from instruments in the trading book are negligible. For similar considerations regarding the banking book, see paragraph 2. “Banking book: internal models and other methods of sensitivity analysis”.

Part E - Information on Risks and relating hedging policies

2. Regulatory trading book: distribution of exposures in equity instruments and share indices for the main stock market countries

(Amounts in € thousand)

Type of transaction/listing index	Listed						Unlisted
	ITALY	U.S.A.	LUXEMBOURG	SPAIN	NETHERLANDS	OTHER COUNTRY	
A. Equity instruments							
- long positions	305	3,189	2,785	187	512	1,788	-
- short positions	301	621	31	208	35	1,013	-
B. Unsettled equity instrument trades							
- long positions	44,280	52,496	26,604	23,720	21,321	31,499	-
- short positions	44,320	52,455	26,869	23,739	21,229	31,596	-
C. Other equity instruments derivatives							
- long positions	634	2,418	541	321	162	1,538	-
- short positions	542	5,293	2,683	302	752	2,284	-
D. Share index derivatives							
- long positions	63,966	278	-	-	-	1,403	-
- short positions	39,727	18,081	-	202	-	9,568	-

In consistency with the market risk appetite and the Market Risk Policy approved by the Board of Directors of the Parent Company, Fineco does not take directional speculative positions on its portfolios. The trading portfolio is moved exclusively for the brokerage business with customers (dealing on own account); the positions linked to this activity are therefore subject to a series of limits established by the policies which lead to a substantial closure of the market risk deriving from the positions at the end of the day.

Such policies lead to a high daily turnover of instruments in the trading book. Considering this context, it is not significant to report evidence regarding the impact of the change in prices of equity securities and stock indices on the intermediation margin, on the operating result and on net equity, as well as the results of the scenario analyses.

3. Regulatory trading book: internal models and other methods of sensitivity analysis

The Group monitors the VaR of the Trading Book on a daily basis.

As at December 31st, 2023, the daily VaR of the trading book amounted to € 288 thousand. The average for the year 2023 is € 183 thousand, with a maximum peak of € 487 thousand and a minimum of € 25 thousand.

The volatility in the price of instruments determines direct impacts on the income statement.

The Risk Management has implemented a control framework concerning limits on positions open at the end of the day, on the P&L generated and on the VaR calculated on the positions open at the end of the day (limits never reached during the year). During 2023, losses were recorded on 15 days, and among these only on one did the loss exceed the VaR value (€ 40 thousand versus € 25 thousand).

1.2.2 Interest rate risk and price risk – banking book

Qualitative information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk consists of changes in interest rates affecting:

- the net interest margin, thus, the Group's earnings;
- the net present value of assets and liabilities, as well as the present value of future cash flows.

Part E - Information on Risks and relating hedging policies

The Group measures and monitors interest rate risk daily, within the methodological framework and the corresponding limits or thresholds approved by the Board of Director. Such limits concern to the sensitivity of the net interest margin and the economic value.

Interest rate risk has an impact on every position resulting from strategic investment decisions (banking book).

The main sources of interest rate risk may be classified as follows:

- gap risk: this derives from the term structure of the banking book and describes the risk arising from the instrument's timing of interest rate update. The gap risk also includes the repricing risk, arising from time mismatches in terms of the repricing of the Group's assets and liabilities. These mismatches result in a risk associated with the yield curve. This risk relates to the Group's exposure to changes in the slope and shape of the yield curve.
- basis risk: this can be divided into two types of risk:
  - tenor risk, arising from the mismatch between instrument expiry and the change in interest rates;
  - currency risk, defined as the risk of a potential offsetting between interest rate sensitivities arising from exposure to the interest rate risk in various currencies;
- option risk – risk resulting from implicit or explicit options in the Group's banking book positions.

Within the organisational framework described above, the Board of Directors approves the risk appetite and the risk limits on interest rates, both in terms of Economic Value Sensitivity (EVE) and Net Interest Income (NII).

With reference to the Economic Value Sensitivity, in order to evaluate the effects of changes in the interest rate curve in the banking book, scenario analysis envisaging multiple changes in the interest rate curve, both parallel (+/- 200 bps) and not parallel, are carried out on a weekly basis. Among these, the six standardized scenarios - Supervisory Outlier Test (see paragraph 2 "Banking book: internal models and other methodologies for sensitivity analysis") - as defined by the EBA guidelines in force, are of particular importance. The sensitivity analysis of the economic value of the worst SOT scenario is monitored within the Risk Appetite; compliance with the specific risk thresholds is subject to quarterly reporting to the Corporate Bodies.

The NII Sensitivity indicator is calculated by applying two parallel scenarios envisaged by the SOT which reflect the hypotheses underlying the assessments of the EV sensitivity scenarios (see paragraph 2 "Banking book: internal models and other methodologies for sensitivity analysis") and are calculated with the following assumptions:

- application of a post-shock floor increasing from -100 to 0 (from O / N to 20 years, an increase of 5 bps per year) for single currency and single curve;
- 50% weighting for the positive contributions of NII (per single currency).

The sensitivity analysis on the interest margin is also monitored within the Risk Appetite by applying the worst parallel shock scenario.

The market risk framework also includes a plurality of metrics which might be classified as global, for example Interest Rate VaR, and granular, for example BP01 (Basis Point 01) sensitivity; such metrics are monitored on a daily basis.

Finally, the Risk Appetite Framework provides risk limits in terms of VaR of the banking book and the trading book in which interest rate risk is a component (calculated using the methodology described previously). Within the banking book, VaR is a measure of the Credit Spread Risk in the Banking Book (CSRBB).

For more details reference is made to section *2. Banking book: internal models and other methods of sensitivity analysis.*

Focus on the bond portfolio

With specific reference to FinecoBank's HTC portfolio, which as at December 31st, 2023 is mainly made by government bonds and supranational bonds (securities issued by Sovereign, Supranational institutions and International Government Organisations), changes in interest rates could lead to positive or negative changes in fair value, which are not recognised in the income statement, as required by accounting standards with reference to instruments classified in the HTC portfolio. It should also be noted that, as of December 31st, 2023, a significant part of the securities portfolio, equal to € 8,047.5 million, is covered by derivative financial instruments, which by nature have a sensitivity opposite to that of the hedged asset. The interest rate risk sensitivity at +100 bps of the securities hedged by derivatives amounts to € -398.59 million, while the sensitivity of the related hedging derivatives amounts to € 347.53 million.

Focus on real estate investments

As at December 31st, 2023, the Group does not have significant investments in the real estate sector. The only exception is represented by the building located in Milan, where the Parent Company FinecoBank has its registered office. For this real estate property, the market value was determined by an external appraiser, and is made up of the sum of the discounted expected cash flows and the discounted value of the asset at the end of the hypothesized time frame. The discount rate, better known as WACC (from the English acronym Weighted Average Cost of Capital), applied for the valuation of the property, represents the expected return that the property investment must generate to remunerate the creditors, any shareholders and the other capital providers. The fair value amounts to € 79.25 million, the sensitivity to the discount rate (WACC) amounts respectively to € -6.24 million in the +100 bps scenario, and to € 6.91 million in the -200 bps scenario.

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Banking book: distribution by maturity (by repricing date) of financial assets and liabilities - Currency: Euro

(Amounts in € thousand)

Type/maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months to 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**4,430,608**	**2,228,072**	**599,265**	**529,118**	**9,245,098**	**12,000,686**	**846,687**	**-**
1.1 Debt securities	-	1,016,726	491,141	372,240	8,388,128	11,106,600	2	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	1,016,726	491,141	372,240	8,388,128	11,106,600	2	-
1.2 Loans to banks	2,054,697	270,117	25,101	-	-	-	-	-
1.3 Loans to customers	2,375,911	941,229	83,023	156,878	856,970	894,086	846,685	-
- current accounts	2,172,418	49	49	98	546	2	-	-
- others loans	203,493	941,180	82,974	156,780	856,424	894,084	846,685	-
- with early redemption option	7,281	497,065	82,302	153,681	850,912	894,071	846,667	-
- others	196,212	444,115	672	3,099	5,512	13	18	-
2. On-balance sheet liabilities	**27,671,738**	**178,223**	**19,186**	**647,745**	**564,407**	**326,087**	**2,060**	**-**
2.1 Deposits from customers	26,859,072	127,988	19,078	647,527	63,986	14,177	2,060	-
- current accounts	26,742,987	-	-	-	-	-	-	-
- other payables	116,085	127,988	19,078	647,527	63,986	14,177	2,060	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	116,085	127,988	19,078	647,527	63,986	14,177	2,060	-
2.2 Deposits from banks	812,666	50,235	108	218	1,830	1,237	-	-
- current accounts	1,166	-	-	-	-	-	-	-
- other payables	811,500	50,235	108	218	1,830	1,237	-	-
2.3 Debt securities	-	-	-	-	498,591	310,673	-	-
- with early redemption option	-	-	-	-	498,591	310,673	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**5,590,624**	**423,131**	**946,191**	**(1,306,248)**	**(5,171,584)**	**(482,116)**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	5,590,624	423,131	946,191	(1,306,248)	(5,171,584)	(482,116)	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others derivatives	-	5,590,624	423,131	946,191	(1,306,248)	(5,171,584)	(482,116)	-
+ Long positions	-	8,822,461	450,000	1,000,000	1,655,000	-	-	-
+ Short positions	-	3,231,837	26,869	53,809	2,961,248	5,171,584	482,116	-
4. Other off-balance sheet transactions	**(263,773)**	**(9,739)**	**10,338**	**224**	**526**	**262,419**	**5**	**-**
+ Long positions	38	3,876	13,616	224	526	262,419	5	-
+ Short positions	263,811	13,615	3,278	-	-	-	-	-

Loans to customers on current accounts at an indexed rate granted by the Bank have been represented in the “on demand” column. In general, the repricing of the rate takes place at the beginning of the month on the basis of the average of the previous month's daily observations.

Part E - Information on Risks and relating hedging policies

Currency: Other currencies

(Amounts in € thousand)

Type/maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months to 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**252,471**	**134,128**	**97,624**	**386,357**	**126,543**	**1**	**-**	**-**
1.1 Debt securities	-	49,825	97,624	386,357	126,531	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	49,825	97,624	386,357	126,531	-	-	-
1.2 Loans to banks	246,785	46,216	-	-	-	-	-	-
1.3 Loans to customers	5,686	38,087	-	-	12	1	-	-
- current accounts	749	-	-	-	-	1	-	-
- others loans	4,937	38,087	-	-	12	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	4,937	38,087	-	-	12	-	-	-
2. On-balance sheet liabilities	**971,488**	**26,886**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Deposits from customers	971,449	26,241	-	-	-	-	-	-
- current accounts	961,401	-	-	-	-	-	-	-
- other payables	10,048	26,241	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	10,048	26,241	-	-	-	-	-	-
2.2 Deposits from banks	39	645	-	-	-	-	-	-
- current accounts	39	-	-	-	-	-	-	-
- other payables	-	645	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**-**	**(5,826)**	**5,826**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	3,294	9,120	-	-	-	-	-
+ Short positions	-	9,120	3,294	-	-	-	-	-

For a description of the effects of a change in interest rates on net interest margin, profit (loss) for the year, shareholders' equity and the results of scenario analysis, see paragraph 2. Banking book: internal models and other methods of sensitivity analysis.

Part E - Information on Risks and relating hedging policies

2. Banking book: internal models and other methods of sensitivity analysis

In order to measure interest rate risk in the Group's financial statements it is necessary to measure the sensitivity of loans and deposits to changes in the yield curve. FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of asset and liability items that do not have a contractual maturity; indeed even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

EU IRRBB Template

The assessments contained in the EU IRRBB Template report the exposures of the interest rate risk metrics as at December 31st, 2023 and June 30th, 2023. For the description of the scenarios, please refer to the section Qualitative information - Interest rate risk.

(Amounts in € thousand)

Supervisory shock scenarios	a	b	c	d
	Changes of the economic value of equity		Changes of the net interest income	
	Current period	Last period	Current period	Last period
1 Parallel Up	(48,511)	(77,383)	110,400	113,838
2 Parallel Down	22,242	38,481	(225,399)	(235,729)
3 Steepener shock	52,213	30,469	-	-
4 Flattener shock	(114,566)	(75,240)	-	-
5 Short rates Up	(121,300)	(94,576)	-	-
6 Long rates Down	63,618	49,285	-	-

The table highlights the results and the so-called Supervisory Outlier Test scenarios, as described in the previous paragraph, applied to the economic value and the interest income. With reference to the Economic Value, the results show a negative sensitivity in the event of a rise in rates, parallel or short-term rates, while a positive sensitivity in bullish, parallel or long-term rate scenarios. The sensitivity analysis on the interest margin shows a positive impact in the upward shift on the interest rate curve, while in the downward one a negative impact.

In addition to the SOT scenarios described above, the Parent Company conducts regulatory sensitivity analyzes on the Economic Value on a weekly basis with parallel scenarios of +/- 200 bps. Assuming a shift of +200 basis points on the euro interest rate curve, the analysis highlights a negative impact of € -48,555 thousand. A shift of -200 basis points highlights a positive impact of € 21,788 thousand.

With reference to the remaining interest rate risk measures, it is reported that the sensitivity analysis on the value of the equity assuming a shift of + 1 basis point (BP01) highlights a negative impact which stands overall at € -210 thousand.

As at December 31st, 2023, the Group's Interest Rate VaR (*Holding period 1 day, 99% confidence interval) stood at approximately € 9,642 thousand. The average for 2023 is equal to € 10,493 thousand with a maximum peak of € 12,211 thousand and a minimum of € 8,166 thousand.

The total VaR, including the Credit Spread Risk component deriving mainly from sovereign bonds held for the use of liquidity and including the Credit Spread Risk of Unicredit bonds, is equal to € 31,933 thousand. The average for 2023 is equal to € 74,760 thousand with a maximum peak of € 120,556 thousand and a minimum of € 31,579 thousand.

1.2.3 Exchange Rate Risk

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

As part of its treasury activities, the Group collects funds in foreign currencies, mainly US dollars, through customer deposits, subsequently investing these funds mainly in bank deposits and bonds with leading credit institutions, denominated in the same currency. The impact on balance sheet items is estimated through the Forex VaR indicator.

The VaR of the Group's positions is not used for the calculation of Pillar 1 capital requirement, as it is not required by the selected traditional standardised approach. The metric described is therefore only used for managerial and risk monitoring purposes.

B. Exchange rate risk hedging

Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

The component of exchange rate risk that contributes to the formation of the overall VaR is usually tied to the temporal mismatch between assets and liabilities in US dollars.

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

(Amounts in € thousand)

Items	Currency					
	USD	GBP	CHF	JPY	CAD	OTHER CURRENCIES
A. Financial assets	**827,165**	**95,213**	**61,317**	**7,325**	**3,249**	**15,618**
A.1 Debt securities	607,980	22,924	29,432	-	-	-
A.2 Equity securities	12,266	427	-	-	72	-
A.3 Loans to banks	164,211	71,069	31,697	7,325	3,176	15,522
A.4 Loans to customers	42,708	793	188	-	1	96
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**193**	**41**	**1**	**-**	**-**	**23**
C. Financial liabilities	**818,211**	**95,694**	**61,010**	**7,314**	**3,257**	**14,022**
C.1 Deposits from banks	645	-	-	-	-	39
C.2 Deposits from customers	817,566	95,694	61,010	7,314	3,257	13,983
C.3 Debt securities in issue	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**2,148**	**295**	**-**	**-**	**1**	**249**
E. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ Long positions	711	-	-	1	-	-
+ Short positions	492	6	-	64	-	-
- Other derivatives	-	-	-	-	-	-
+ Long positions	106,205	9,313	12,529	26,729	2,253	6,941
+ Short positions	104,451	8,357	11,368	26,636	2,133	6,695
Total assets	**934,274**	**104,567**	**73,847**	**34,055**	**5,502**	**22,582**
Total liabilities	**925,302**	**104,352**	**72,378**	**34,014**	**5,391**	**20,966**
Balance (+/-)	**8,972**	**215**	**1,469**	**41**	**111**	**1,616**

The impact of changes in exchange rates are quantified by the daily Forex VaR of the overall portfolio, as described in the following paragraph.

2. Internal models and other methods of sensitivity analysis

As at December 31st, 2023, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately € 149 thousand. The average for the year 2023 is equal to € 86 thousand with a maximum peak of € 149 thousand and a minimum of € 37 thousand.

1.3 - Derivative instruments and hedging policies

1.3.1 Trading book financial derivatives

A. Financial derivatives

A.1 Hedging financial derivatives: end of period notional amounts

(Amounts in € thousand)

Underlying assets / Type of derivatives	Total 12/31/2023				Total 12/31/2022			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	without central counterparties: with netting agreement	without central counterparties: without netting agreement		Central Counterparts	without central counterparties: with netting agreement	without central counterparties: without netting agreement	
1. Debt securities and interest rate indexes	**-**	**-**	**1,088**	**144**	**-**	**-**	**1,289**	**1,003**
a) Options	-	-	28	-	-	-	28	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	144	-	-	-	1,003
e) Others	-	-	1,060	-	-	-	1,261	-
2. Equities instruments and share indices	**-**	**-**	**112,977**	**37,793**	**-**	**-**	**77,458**	**19,993**
a) Options	-	-	15,390	-	-	-	7,947	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	37,793	-	-	-	19,993
e) Others	-	-	97,587	-	-	-	69,511	-
3. Currencies and gold	**-**	**-**	**216,376**	**188**	**-**	**-**	**138,946**	**-**
a) Options	-	-	667	-	-	-	521	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	188	-	-	-	-
e) Others	-	-	215,709	-	-	-	138,425	-
4. Commodities	**-**	**-**	**4,541**	**2,653**	**-**	**-**	**4,118**	**2,553**
5. Others	**-**	**-**	**-**	**286**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**334,982**	**41,064**	**-**	**-**	**221,811**	**23,549**

Letter e) Other in the "Over the counter – Without central counter-parties – not included in netting agreement" column consists of CFD derivatives.

Letter a) Options under the column "Over the counter - Without central counterparties - Without netting arrangements" includes KO Options issued by FinecoBank, as well as certificates issued by FinecoBank, traded on the Vorvel segment and not settled with central counterparties.

Part E - Information on Risks and relating hedging policies

A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

(Amounts in € thousand)

Underlying assets/type of derivatives	Total 12/31/2023				Total 12/31/2022			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	Without central counterparties			Central Counterparts	Without central counterparties		
		With netting agreement	Without netting agreement			With netting agreement	Without netting agreement	
1. Positive fair value								
a) Options	-	-	3	-	-	-	1	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	32	-	-	-	76
g) Others	-	-	3,617	-	-	-	3,753	-
Total	**-**	**-**	**3,620**	**32**	**-**	**-**	**3,754**	**76**
2. Negative Fair value								
a) Options	-	-	1,880	-	-	-	574	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	54	-	-	-	70
g) Others	-	-	1,413	-	-	-	1,140	-
Total	**-**	**-**	**3,293**	**54**	**-**	**-**	**1,714**	**70**

Letter g) Others under the column "Over the counter - Without central counterparties - Without netting agreements" includes CFD derivative contracts.

Letter a) Options under the column "Over the counter - Without central counterparties - Without netting arrangements" includes KO Options issued by FinecoBank, as well as certificates issued by FinecoBank, traded on the Vorvel segment and not settled with central counterparties.

Part E - Information on Risks and relating hedging policies

A.3 OTC trading book financial derivatives: notional amounts, gross positive and negative fair value by counterparty

(Amounts in € thousand)

Underlying assets	Central counterparties	Banks	Other financial entities	Other entities
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	X	-	-	1,088
- positive fair value	X	-	-	12
- negative fair value	X	-	-	1
2) Equity instruments and share indices				
- notional amount	X	3	5,038	107,936
- positive fair value	X	-	96	2,761
- negative fair value	X	-	-	2,776
3) Currencies and gold				
- notional amount	X	147,117	-	69,259
- positive fair value	X	119	-	592
- negative fair value	X	48	-	351
4) Commodities				
- notional amount	X	-	-	4,541
- positive fair value	X	-	-	40
- negative fair value	X	-	-	117
5) Others				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and share indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.4 OTC financial derivatives - residual maturity: notional values

(Amounts in € thousand)

Underlying/maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivative contracts on debt securities and interest rates	1,060	-	28	1,088
A.2 Financial derivative contracts on equity instruments and share indices	25,116	93	87,768	112,977
A.3 Financial derivatives on exchange rates and gold	216,376	-	-	216,376
A.4 Financial derivatives on commodities	4,202	-	339	4,541
A.5 Financial derivatives on other instruments	-	-	-	-
Total 12/31/2023	**246,754**	**93**	**88,135**	**334,982**
Total 12/31/2022	**166,510**	**87**	**55,214**	**221,811**

B. Credit derivatives

No data to report.

1.3.2 Hedge account

Qualitative information

In should be noted that the Group has only fair value hedges in place which respond to an interest rate risk hedging logic, and provide for the exchange of the fixed rate against Euribor and whose valuation, as collateralised, is carried out by discounting future flows with the € STR curve.

A. Fair value hedging

The fair value hedging strategies, aimed at ensuring compliance with the interest rate risk limits for the banking book, are implemented using OTC derivative contracts. The latter, typically asset swaps and interest rate swaps, represent the type of instruments mainly used. Depending on the underlying financial operation, it is possible to distinguish three types of coverage currently in place:

- **Government bond hedging**: a portion of the Bank's liquidity is currently invested in fixed rate government bonds. The choice to purchase fixed rate securities was made taking into account the high liquidity of these instruments compared to floating rate securities available on the market. The Asset Swap provides for the payment of the coupon of the security (fixed rate) and the receipt of the floating rate plus spread, without upfront to be paid/collected on the trading date of the derivative. Derivatives subscribed for the purpose of hedging exactly replicate the hedged security in terms of notional amount, maturity and interest payment dates;
- **Coverage of the sight deposits core component (fixed rate)**: FinecoBank uses an economic-statistical model for the modelling of sight deposit which allows the quantification of a component that is insensitive to changes in interest rates. It is therefore possible to define the hedges to be implemented, in compliance with the sensitivity limits approved by Fineco within the Risk Appetite Framework;
- **Hedging of fixed rate mortgages**: the Bank covers part of the interest rate risk deriving from the fixed rate mortgage portfolio through swap contracts in which it pays a fixed rate and receives a floating rate without a spread. The hedges focus on the fixed rate component beyond 10 years as the lower component can be managed through natural hedges compared to fixed rate liability items of the same maturity.

Finally, it should be noted that during 2023, there were no terminations of hedging relationships, but only closures of hedging derivative contracts at the same time as the sale of hedged assets.

B. Cash flow hedging

Currently there are no cash flow hedging operations generated as part of the Group's operations.

Part E - Information on Risks and relating hedging policies

C. Hedging a net investment in a foreign entity

Currently there are no “hedging a net investment in a foreign entity” operations generated as part of the Group's operations.

D. Hedge instrument

A generic hedging relationship of an asset / liability portfolio pursues the objective of offsetting the deviations in value of the hedged item contained in a generic portfolio of fixed-rate assets / liabilities.

The ineffectiveness of the hedge is represented by the difference between the change in the fair value of the hedging instruments and the change in the fair value of the hedged amount. The Group uses a test method based on sensitivity analisys. To this end, the exposures of the total sensitivity of the hedged item and that relating to the hedging derivative are correlated. The sensitivity expresses the elasticity with respect to each of the rates that make up the risk-free curve and is calculated as a change in the fair value in relation to an increase in the rate equal to a basis point. The test verifies the effectiveness by analysing the "reduction" of the sensitivity of the overall position after hedging and comparing it with respect to the same measure referred to the item being hedged.

The effectiveness test is carried out separately for interest rate swaps to hedge assets (mortgages) and for interest rate swaps to hedge liabilities (core insensitive component of on demand items). In a specific hedging relationship, the derivatives subscribed for the purpose of hedging exactly replicate the hedged security in terms of notional, maturity, interest payment dates.

All hedging financial derivatives outstanding as at December 31st, 2023 are cleared by a direct Participant to a Central Counterparty.

E. Hedge item

Hedged assets are represented by fixed-rate securities and fixed-rate mortgages granted to customers, accounted for in "Financial assets at amortised cost", hedged for the interest rate risk component with asset swap and interest rate swaps that exchange the fixed-rate coupon of securities or the fixed-rate of mortgages for a variable rate.

The hedged assets also include fixed rate securities, accounted for in the "Financial assets at amortized cost", also covered for the interest rate risk component with Interest Rate swaps which exchange the fixed rate coupon with a variable rate.

Part E - Information on Risks and relating hedging policies

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: end of period notional amounts

(Amounts in € thousand)

Underlying assets/type of derivatives	Total 12/31/2023				Total 12/31/2022			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	without central counterparties: with netting agreement	without central counterparties: without netting agreement		Central Counterparts	without central counterparties: with netting agreement	without central counterparties: without netting agreement	
1. Debt securities and interest rate indexes	**11,927,461**	**-**	**-**	**-**	**13,396,612**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	11,927,461	-	-	-	13,396,612	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equity instruments and share indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**11,927,461**	**-**	**-**	**-**	**13,396,612**	**-**	**-**	**-**

Part E - Information on Risks and relating hedging policies

A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

(Amounts in € thousand)

Underlying assets/Types of derivatives	Positive and negative fair value								Change in the value used to calculate hedge ineffectiveness	
	Total 12/31/2023				Total 12/31/2022				Total 12/31/2023	Total 12/31/2022
	Over the counter			Organized markets	Over the counter			Organized markets		
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties				
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements			
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	896,577	-	-	-	1,691,642	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**896,577**	**-**	**-**	**-**	**1,691,642**	**-**	**-**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	59,988	-	-	-	63,752	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**59,988**	**-**	**-**	**-**	**63,752**	**-**	**-**	**-**	**-**	**-**

Part E - Information on Risks and relating hedging policies

A.3 OTC hedging financial derivative: notional amounts, gross positive and negative fair value by counterparty

(Amounts in € thousand)

Underlyings assets	Central Counterparts	Banks	Other financial entities	Other entities
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity instruments and share indices				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Others				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	11,927,461	-	-	-
- positive fair value	896,577	-	-	-
- negative fair value	59,988	-	-	-
2) Equity instruments and share indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.4 OTC hedging financial derivative - residual maturity: notional values

(Amounts in € thousand)

Underlying/maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	1,657,514	4,616,248	5,653,699	11,927,461
A.2 Financial derivatives on equity instruments and share indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	-	-	-	-
A.3 Financial derivatives on commodities	-	-	-	-
A.5 Financial derivatives on other instruments	-	-	-	-
Total 12/31/2023	**1,657,514**	**4,616,248**	**5,653,699**	**11,927,461**
Total 12/31/2022	**147,151**	**5,463,153**	**7,786,308**	**13,396,612**

B. Hedging credit derivatives

No data to report.

C. Hedging non derivative instruments

No data to report.

Part E - Information on Risks and relating hedging policies

D. Hedge item

D.1 Fair value hedging

As already stated in Part A of these notes to the consolidated accounts, the Group applies the hedge accounting rules envisaged by IFRS 9 for specific hedging transactions ("MicroHedging"), while it has availed itself of the option to continue to use IAS 39 for fair value hedging transactions of the exposure to the interest rate of a portfolio of financial assets or liabilities (generic hedging or "Macrohedging").

The table below shows the specific hedging transactions ("MicroHedging") in place, for which the Group applies the provisions of IFRS 9.

For the sake of completeness, it should be noted that the general hedging transactions in place at December 31st, 2023, for which the Group applies the provisions of IAS 39, refer to:

- the monetary amount of "Financial assets at amortised cost", for a monetary amount of € 1,388,461 thousand, referring exclusively to mortgages;
- the amount of "Financial liabilities at amortised cost", for a monetary amount of € 3,205,000 thousand, referring exclusively to the core deposits.

(Amounts in € thousand)

	Specific hedges: book value	Specific hedges - net positions: balance sheet value of assets or liabilities (before offsetting)	Specific hedges			Generic hedges: book value
			Accumulated changes in fair value of hedging instrument	Ending of hedge: residual accumulated valute of residual changes in fair value	Change in value used to relieve hedging ineffectiveness	
A. Assets						
1. Financial assets measured at fair value with an impact on total profitability - hedges of:	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities and interest rate	-	-	-	-	-	X
1.2 Equity securities and stock price indices	-	-	-	-	-	X
1.3 Currencies and gold	-	-	-	-	-	X
1.4 Loans	-	-	-	-	-	X
1.5 Other	-	-	-	-	-	X
2. Financial assets measured at amortized cost - hedges of:	**6,877,563**	**6,877,563**	**(640,767)**	**-**	**423,363**	**-**
2.1 Debt securities and interest rate	6,877,563	6,877,563	(640,767)	-	423,363	X
2.2 Equity securities and stock price indices	-	-	-	-	-	X
2.3 Currencies and gold	-	-	-	-	-	X
2.4 Loans	-	-	-	-	-	X
2.5 Other	-	-	-	-	-	X
Total 12/31/2023	**6,877,563**	**6,877,563**	**(640,767)**	**-**	**423,363**	**-**
Total 12/31/2022	**7,760,843**	**7,760,843**	**(1,416,588)**	**-**	**(1,341,416)**	**-**
B. Liabilities						
1, Financial liabilities measured at amortized cost - hedges of:	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities and interest rate	-	-	-	-	-	X
1.2 Currencies and gold	-	-	-	-	-	X
1.3 Other	-	-	-	-	-	X
Total 12/31/2023	**-**	**-**	**-**	**-**	**-**	**-**
Total 12/31/2022	**-**	**-**	**-**	**-**	**-**	**-**

D.2 Cash flow hedging and hedging a net investment in a foreign entity

No data to report.

E. Effects of hedging transactions at shareholders' equity

No data to report.

1.3.3 Other information on trading book and hedging derivative instruments

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair values by counterparty

No data to report, as there are no trading and hedging derivatives subject to offsetting in the balance sheet pursuant to IAS 32, paragraph 42.

1.4 - Liquidity Risk

Qualitative information

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk can be briefly defined as the risk that the Group, also due to unexpected future events, may be unable to meet its payment obligations or to efficiently match expected cash inflows and outflows.

The different types of liquidity risk managed by the Group are as follows:

- short-term liquidity risk refers to the risk of non-compliance between the amount and / or deadlines of incoming and outgoing cash flows in the short term (less than one year);
- market liquidity risk is the risk that the Group may face significant and adverse price change, generated by exogenous and endogenous factors resulting in losses, through the sale of assets considered liquid. In the worst case, the Group may not be able to liquidate the positions thereof;
- structural liquidity risk is defined as the Group's inability to procure, in a stable and sustainable manner, the necessary funds to maintain an adequate ratio between medium / long-term assets and liabilities (over one year) at reasonable price without impacting the daily operations or the financial situation of the Group;
- stress or contingency risk is linked to future and unexpected obligations (for example withdrawals from deposits) and may require the bank to have a greater amount of liquidity than the one considered necessary to manage the ordinary business;
- financing risk, is the risk that the Group may not be able to deal effectively with any planned cash outflows.

The main source of liquidity for the Group is constituted by customers' on demand deposits, which are largely made of transactional liquidity, and represent an widely diversified source of liquidity (as at December 31st, 2023, the exposure towards the top 100 depositors is equal to 1.93%). Over the last few years, however, the Group has diversified its fuding sources through the initiation and subsequent repayment of refinancing operations at the central bank (Targeted Longer Term Refinancing Operations III) and the issue of financial instruments in the sector Senior Preferred.

The latest issue dates back to February 16th, 2023 when, as part of the EMTN (Euro Medium Term Notes) programme, despite not having specific financing needs, FinecoBank successfully completed the placement of its second issue on the securities market Senior Preferred bonds intended for qualified investors, for a total amount of € 300 million, as envisaged in its multi-year plan and in the 2023-2025 funding plan, with the aim of satisfying the MREL requirement while maintaining an adequate buffer compared to the minimum requirement.

It should also be noted that during the fourth quarter of the year, following the significant increase in interest rates resulting from the implementation of a highly restrictive monetary policies by the ECB, the Bank decided to expand the range of products available for savers by returning to offer their customers term deposit instruments (so-called Cashpark).

In order to deal with its exposure to liquidity risk, the Group invests the part of its liquidity estimated by internal models as persistent and stable (so-called core liquidity) into medium/long-term investments. The amount of liquidity characterised by a lower persistence profile (so-called non-core liquidity) is employed in liquid or easily liquidable assets (HQLA), such as, for example, demand deposits, short-term loans or government securities that can be used as a short-term source of funding at the Central Bank.

Part E - Information on Risks and relating hedging policies

At the reporting date, there were no "Contingent liquidity and funding needs", such as, for example, accelerated repayment clauses or the issue of additional guarantees relating to a downgrade of the Group.

The key principles

The Group's purpose is to maintain liquidity at a level that allows to conduct the main operations safely, finance its activities at the best rate conditions in normal operating circumstances and always remain in a position to meet payment commitments. In particular, the investment policy consider as a priority, among all prudential criteria, the liquidability of the instruments; the outcome of this policy translates into liquidity indicators exceeding by far minimum regulatory requirements.

The Group has a "Group Liquidity Policy", directly applicable to the Parent Company and its Legal Entities, which defines the set of principles and rules that oversee the management of liquidity and related risks in the Group. In particular, the Policy describes the management of liquidity and its risks in standard and crisis conditions, first and second level control activities and the Group's related governance, defining roles and responsibilities of corporate Bodies and functions, both for the Parent Company and its Legal Entities, ensuring consistency between the liquidity risk contingency plan, the capital contingency plan, the Group Risk Appetite Framework and the Group Recovery Plan.

Roles and responsibilities

The "Group Liquidity Policy" establishes the principles adopted in terms of internal governance, which envisage the involvement of the Treasury and Risk Management functions.

The operational management of liquidity is carried out by the Treasury department, which ensures effective and efficient management of liquidity in the short and medium/long term, monitoring of liquidity exposure and first-level controls on the management process.

The Risk management function is responsible for monitoring compliance with limits and implementing the rules on liquidity risk, the implementation of selected risk metrics and the assessment of selected methods.

To this end the "Group Liquidity Policy" explicitly refers to the first and second level monitoring, both from a regulatory and management standpoint:

- Short-term liquidity risk management (operational liquidity), which considers the events that may impact upon the Group's liquidity position from one day up to one year. The primary objective is to maintain the Group's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs;
- Structural liquidity risk management (structural risk), which considers the events that may impact upon the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoiding pressures on short-term funding sources (both current and future);
- Stress tests: Liquidity risk is a low probability, high impact event. Therefore stress testing is a tool able to reveal potential vulnerabilities. The Group uses several scenarios ranging from general market crisis to idiosyncratic crisis, and combinations thereof.

In this context, the Group takes into account all of the assets, liabilities, off-balance sheet positions and present and future events that generate certain or potential cash flows, thereby protecting the Group from risks related to the transformation of maturity.

Short term liquidity management

Short-term liquidity management aims at ensuring that the Group remains in a position to fulfil its cash payment obligations always, whether expected or unexpected, focusing on the exposure for the first twelve months.

On a daily basis, the Group calculates the Operative Maturity Ladder, which measures the cash inflows and outflows affecting the monetary base, with details of the main temporal buckets.

The Group’s objective is to provide sufficient short-term liquidity to deal with a particularly adverse liquidity crises for at least three months.

Structural liquidity management

The objective of the Group's structural liquidity management is to maintain an adequate ratio between medium/long term assets and liabilities (generally over one year), with a view to avoiding pressures on short-term funding sources, both current and future. To this end, the Group adopts a prudent approach to its investments of liquidity, taking into account funding maturities. The indicator used and monitored as part of the wider Risk Appetite Framework (NSFR) ensures that assets and liabilities have a sustainable maturity structure. The regulatory indicator is also complemented by a managerial indicator called "Structural Ratio", which shares its objectives and most of its logic. Such indicator was developed by the CRO Department of the Parent Company with the purpose of managing the risk of maturity transformation, considering the specificities of Fineco's funding represented in the Bank's sight items model.

Liquidity Stress Test

Liquidity Stress Tests evaluate the impact of macro or micro-economic scenarios on Fineco's liquidity position, with the aim of testing the Bank's ability to continue its business in situations of liquidity distress.

Stress tests are carried out by simulating scenarios of idiosyncratic stress (decline in customer confidence) and situations of general market shock; a combination of the two shall also be considered in the stress test program. Within the stress test simulations, sensitivity analyzes are also provided to evaluate the impact produced by the movement of a particular single risk factor.

Additional scenarios are also defined (so-called reverse stress testing) aimed at identifying the risk factors and the circumstances that would lead to the Group's point of non-viability.

Behavioural modelling of Liabilities

FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of liability items not having a contractual maturity; indeed, even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

More specifically, liabilities modelling aims to build a profile reflecting at that best the behavioural characteristics of the items. An example is on sight deposit: estimates of the maturity profile reflect the perceived stickiness. Such behavioural models are developed by the Parent Company CRO Department and validated by the Internal Validation function.

During 2023, in a market context characterized by high interest rates and greater liquidity outflows, changes were made to the sight items behavioral model, aimed at incorporating the new market context. The updated version of the model was subjected to scrutiny by the Internal Validation function.

Group's Contingency Liquidity Management

The objective of the Group "Contingency Plan on liquidity risk", defined in the Group Liquidity Policy, is to ensure timely implementation of effective interventions also during the initial stage of a liquidity crisis, through a clear identification of individuals, powers, responsibilities, communication, and reporting criteria, with the aim of significantly increasing the probability of successfully overcoming the state of emergency. This is achieved through:

- activation of extraordinary liquidity governance and operating model;
- consistent communication both internal and external;
- a set of available mitigating liquidity actions;
- a set of early warning indicators, also included within the Group Recovery Plan, showing any possible evidence of a developing liquidity crisis.

Internal Liquidity Adequacy Assessment Process (ILAAP)

In accordance with prudential provisions, the Group annually assesses the adequacy of the liquidity governance and management framework (ILAAP process) and gives appropriate disclosure to the Competent National Authority according to the terms established by the relevant legislation.The stress tests, which are conducted on the basis of scenarios that consider idiosyncratic, systemic risk factors and a combination of them, did not show any criticality or relevant impacts for the Group.

Quantitative information

The time distribution of financial assets and liabilities is represented in the tables below in accordance with the rules set forth in the financial statements regulations (Bank of Italy Circular 262), using accounting information shown by contractual residual duration. Therefore, data of a managerial nature have not been used, involving, for example, the modelling of on-demand liability items.

Current account overdraft facilities with an open-ended credit agreement until revoked granted by the Bank, initial margins, variation margins and the default fund have conventionally been represented in the on-demand column. To this end, it should be noted that, in general, the Bank has the right to withdraw, at any time, from current account overdraft facilities with an open-ended credit agreement until revoked, and to reduce the amount of the credit facility or to suspend its use with immediate effect, upon the occurrence of legitimate cause or for a justified reason, or with a contractually agreed period of notice. Initial margins, variation margins and default funds, on the other hand, are cash assets without a defined contractual maturity, the amount of which may vary on a daily basis.

Part E - Information on Risks and relating hedging policies

1. Time breakdown by contractual residual maturity of financial assets and liabilities – Currency: Euro

(Amounts in € thousand)

Items/time buckets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 month	Between 3 and 6 month	Between 6 and 1 year	Between 1 and 5 year	Over 5 years	Unspecified maturity
On-balance sheet assets	**4,350,681**	**24,608**	**341,181**	**32,061**	**953,889**	**579,881**	**644,211**	**9,670,807**	**13,079,124**	**269,091**
A.1 Government securities	-	-	9,004	3,240	44,508	437,601	365,620	7,197,533	8,457,213	-
A.2 Debt securities	-	406	1,144	1,023	634,175	9,410	71,022	1,536,579	2,578,554	-
A.3 Units in investment funds	929	-	-	-	-	-	-	-	-	-
A.4 Loans	4,349,752	24,202	331,033	27,798	275,206	132,870	207,569	936,695	2,043,357	269,091
- Banks	2,054,363	1,892	-	-	1	25,101	-	-	-	269,091
- Customers	2,295,389	22,310	331,033	27,798	275,205	107,769	207,569	936,695	2,043,357	-
On-balance sheet liabilities	**27,706,288**	**161,241**	**12,442**	**681**	**18,289**	**19,750**	**675,053**	**565,727**	**317,905**	**-**
B.1 Deposits and current accounts	26,752,260	178	287	681	2,371	16,768	666,323	32,921	-	-
- Banks	1,166	-	-	-	-	-	-	-	-	-
- Customers	26,751,094	178	287	681	2,371	16,768	666,323	32,921	-	-
B.2 Debt securities	-	-	-	-	13,875	-	2,500	500,000	300,000	-
B.3 Other liabilities	954,028	161,063	12,155	-	2,043	2,982	6,230	32,806	17,905	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	155,236	-	-	-	-	-	564	300	812
- Short positions	-	158,741	-	-	144	-	3	636	158	812
C.2 Financial derivatives without exchange of capital										
- Long positions	801	-	5,662	43,704	40,329	93,741	158,232	-	-	-
- Short positions	1,316	-	3,510	4,850	21,886	30,437	57,012	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	4,677	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	4,677	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	38	2	28	438	129	13,616	224	526	262,424	-
- Short positions	263,811	13,305	-	310	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

Currency: Other currencies

(Amounts in € thousand)

Items/time buckets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 month	Between 3 and 6 month	Between 6 and 1 year	Between 1 and 5 year	Over 5 years	Unspecified maturity
On-balance sheet assets	**252,805**	**9,074**	**965**	**25,865**	**53,576**	**147,097**	**399,534**	**126,719**	**1**	**-**
A.1 Government securities	-	-	255	23,028	27,709	100,876	391,861	126,697	-	-
A.2 Debt securities	-	-	-	-	-	-	7,673	-	-	-
A.3 Units in investment funds	23	-	-	-	-	-	-	-	-	-
A.4 Loans	252,782	9,074	710	2,837	25,867	46,221	-	22	1	-
- Banks	246,823	214	-	-	401	46,221	-	-	-	-
- Customers	5,959	8,860	710	2,837	25,466	-	-	22	1	-
On-balance sheet liabilities	**972,086**	**26,857**	**90**	**-**	**-**	**-**	**-**	**-**	**580**	**-**
B.1 Deposits and current accounts	961,474	-	-	-	-	-	-	-	-	-
- Banks	39	-	-	-	-	-	-	-	-	-
- Customers	961,435	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	10,612	26,857	90	-	-	-	-	-	580	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	116,857	-	90	188	-	90	27	-	-
- Short positions	-	112,780	-	2,245	506	-	91	27	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	2,846	-	-	-	-	-	-	-	-	-
- Short positions	2,014	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	4,479	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	4,479	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	9,120	-	-	-	-
- Short positions	-	9,120	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

1.5 - Operational risk

Qualitative information

A. General aspects, operational processes and methods for measuring operational risk

Operational risk definition

Operational risk is defined as the risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, financial advisors, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.

For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, customer claims, product distribution, fines and penalties for regulatory breaches, damage to the Company's physical assets, business disruption and system failures, and management of processes.

Operational risk framework

The Group has a Global Policy for the monitoring and control of operational and reputational risks, approved by the Board of Directors of the Parent Company FinecoBank which defines the roles of corporate bodies and of the risk management function as well as any interactions with other functions involved in the process. Besides setting roles and responsibilities, the policy describes the risk measuring and monitoring process and the activities carried out for mitigation and prevention purposes.

The Group has also a Global Policy which defines the ICT and Cyber risks governance and control framework of the Group. The document was recently updated in order to make the Group compliant with the 40th update of Bank of Italy Circular 285, which introduced significant innovations concerning the management, evaluation and monitoring of ICT and Cyber risk.

Organisational structure

The Board of Directors is responsible for approving all aspects relating to the operational risk framework and verifying the adequacy of the measurement and control system and shall be regularly updated on changes to the risk profile and operational risk exposure.

The reports produced by the CRO Department for the Board of Directors ensure that management and control bodies are constantly updated on operational risk trend within the Group and they are able to actively intervene in risk management and mitigation. The Chief Risk Officer participation in the Products Committee also ensures oversight of the operational risk associated with the Group's new business activities.

The Operational & Reputational Risk Management (ORM) function is part of the CRO Department, which reports to the Chief Risk Officer of FinecoBank who in turn reports directly to the Chief Executive Officer and General Manager.

The main activities carried out by the Team in terms of operational risk are:

- definition of the system mitigating and controlling operational, ICT and Cyber risks in compliance with external regulations and, in accordance with the guidelines provided by the Board of Directors, and the Group's operational evolution;
- regularly prepare reports on exposure to operational and reputational risks aimed at informing and supporting management in management activities;
- prepare a Risk Indicators framework aimed at preventing operational and reputational risks, also originating from environmental, social and governance factors (ESG);
- verify that operating loss data identified by the various areas of the Group are regularly and promptly recorded;
- carry out, in collaboration with the other corporate functions, scenario analyses aimed at identifying and preventing potentially high impact losses, albeit unlikely;
- propose operational risk mitigation strategies to the Chief Risk Officer;
- carry out training and support on the control of operational risks to the Group's structures;
- guarantee a reputational risk oversight within the perimeter defined by the Group;
- carry out systematic remote controls, through Risk Indicators, on the entire sale Network, in order to mitigate the internal fraud arising from PFA operations;
- carry out ex-post controls on the verifications carried out by the Network Controls, Monitoring and Network Services Department in relation to internal frauds implemented by Personal Financial Advisors to the detriment of customers, in order to identify areas for improvement;
- implement and update the anomaly indicator management system framework, also according to new company activities and regulations;
- evaluate the effectiveness of PFA disloyalty insurance coverage, considering renewals, franchise and excess;
- evaluate operational and/or reputational risks resulting from the most significant transactions (e.g. significant outsourcing), ensuring their consistency with the RAF;
- support the Board of Directors in the definition of the operational, ICT and Cyber risk appetite, and ensure the implementation through specific measures, metrics and indicators aimed at monitoring the risks.
- ensure the effective implementation of the ICT risk assessment methodology, supporting and coordinating the individual functions involved during the process, each according to their responsibilities.

Part E - Information on Risks and relating hedging policies

Operational risk management and mitigation

Operational risk management consists in the review of processes meant to reduce the identified risks, the management of the related insurance policies, as well as the identification of the suitable franchise and excess values thereof.

As part of operational risk prevention and controls on the sales network, the CRO Department function has focused its activities on fraud prevention. The development of remote monitoring aimed at preventing frauds has led to the creation of a system called System of Fraud Identification and Analysis (SoFIA). Such system can process a larger amount of data and information than individual indicators. The system works though an alert mechanism detecting any irregularity on a daily basis. In this way, all of the names highlighted to be checked are assessed at the same time with regard to all remote indicators.

On the basis of qualitative and quantitative assessments of these indicators, the assigned staff select any cases that need to be reported to the Network Controls, Monitoring and Network Services Department – reporting directly to the Chief Executive Officer – for subsequent examination.

Moreover, the Operational & Reputational Risk team is updated annually on the results of the tests conducted in accordance with the Business Continuity and Disaster Recovery plans.

In parallel with the direct controls on the sales network carried out through SoFIA, ex-post controls were also implemented on the verifications carried out by the Network Controls, Monitoring and Network Services Department in relation to internal frauds carried out by financial consultants to the detriment of customers, aimed at identifying any areas for improvement.

In addition to the aforementioned controls, reputational risks are monitored through the risk assessment carried out by the risk management function throughout the definition, development and approval phase of the Group's products. Participation in the Product Committee of the Chief Risk Officer is in fact expressly envisaged by the "New Product Process" Global Policy.

Risk measurement system

To calculate the regulatory requirement for operational risk, FinecoBank uses the Standardized Method envisaged by art. 317 of Regulation 575/2013 (CRR). According to this approach, the requirement is calculated as a three-year average of the Relevant Indicator[31] divided by business lines and weighted by a coefficient set by the Supervisory Authority.

For the purposes of calculating Pillar II Internal Capital, however, the Group uses an internally developed model which leverages the historical series of internal loss data, recorded and classified in accordance with the criteria established by the CRR. In particular, the art. 324 of the CRR envisages the classification of loss data into the 7 Event Types (ET) described below:

- internal fraud: losses due to unauthorised activities, fraud, embezzlement or infringement of laws, regulations or company directives that involve at least one internal staff member of the Group or a resource hired under an agency contract (PFA);
- external fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the Group;
- employment practices and workplace safety: losses due to actions not compliant with the law or to agreements regarding employment, health and safety, to the payment of compensation for bodily harm, or to cases of discrimination or non-application of equality conditions;
- customers, products and professional practices: losses arising from non-fulfilment of professional obligations towards customers or from the nature or characteristics of the products or services provided;
- damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- process management, execution and delivery: losses due to deficiencies in the completion of transactions or management of processes, as well as losses due to relations with commercial counterparties, vendors and suppliers.

The analysis of operational losses also allows the CRO Department to assess the Group's exposure to operational risks and to identify any critical areas.

As far as second line controls are concerned, the CRO Department uses several key risk indicators divided into control areas (Credit Cards, Compliance, HR, Legal, Operations securities, Payment Systems, Claims, Risk Management, Reputation, Transparency, AML/CFT, IT systems, Security, Administration and Audit), with which the Group mean to measure its exposure to operational risk. Should indicators show irregular values, this might be related to changes in the exposure to operational risk. Within the overall set of KRI, several ESG relevant indicators have been identified. Any irregular value of such risk indicators may signal risks related to customer relationship (e.g. client claims, unavailability or security issues in the ICT system), with employees (e.g. high turnover) or with regulators, which may affect business sustainability.

Scenario analyses allow the assessment of the Group's exposure to operational risk characterised by low frequency but high potential impact. Scenarios are set by analysing internal losses, external events, risk indicator trends, critical processes, products and risk classes.

[31] The Relevant Indicator is given by the sum of various items in the Income Statement, and mostly coincides with the Group's Mediation Margin.

Part E - Information on Risks and relating hedging policies

The assessment of ICT and Cyber risk

The 40th update of the Bank of Italy's Circular 285/2013 introduced significant innovations regarding the management, evaluation and monitoring of ICT and Cyber risk. Among these, the document envisages the establishment of an ICT and security risk management function, leaving entities free to assign the new tasks to the risk management and compliance functions already present, in relation to the roles and responsibilities and the specific skills of each of the two functions. At the current date, the FinecoBank Group has chosen to divide the responsibilities of the new control function between the CRO Department and the Compliance Department.

The two Departments have consequently updated their control framework in order to fully align it with regulatory provisions. With reference to the CRO Department, this concerned integrations relating to the breakdown of risk appetite, the monitored ICT/Cyber risk metrics and the risk assessment of relevant modifications of the information system.

The Group periodically carries out specific scenario analyses, aimed at evaluating the impact of events characterized by low frequency but high severity, and on an annual basis a comprehensive analysis of the ICT risk situation. In particular, the outcome of this latest activity, carried out with the collaboration of the Group's business, ICT and Organization structures, was approved by the CEO and General Manager of the Parent Company in November 2023. The analysis showed that, with respect to the business volumes processed and the complexity of the processes involved, the residual IT risk of FinecoBank is on average low. The exposure to residual risk has been formally accepted by Fineco's Process Owners without the need to identify additional mitigation measures.

The Group's goal is also to protect customers and the business by ensuring data security, declined in its characteristics of availability, confidentiality and integrity. Particular attention is in fact paid to the issues of Cyber Security & Fraud Management from the system design phase, as enabling elements for the correct definition of solutions and services offered, also taking advantage of the opportunities offered by the evolving regulatory context, in order to create full security for the customer while maintaining ease of use. For further information on Cyber Security and Fraud Management, please refer to the Consolidated Non-Financial statement of the FinecoBank Group as at December 31st, 2022, published on the FinecoBank website (https://about.www.finecobank.com).

It should be noted that on February 24th, 2022, with the start of the military conflict between Russia and Ukraine, the CSIRT (the National Cybersecurity Agency's response team) called for heightened attention and the adoption of all measures to protect ICT assets, an alert addressed to Italian companies that have relations with Ukrainian operators. On 28 February 2022, the Agency produced a new alert, this time addressed to all national digital infrastructure operators, urging them to adopt "a posture of maximum cyber defence": the offensive could in fact be directed against the coalition that has mobilised to support the attacked country. As far as Italy is concerned, the targets are generally ministries, government agencies, and companies that are strategic for the national interest, including financial institutions. The Group's objective is to ensure the protection of customers by guaranteeing data security, declined in its characteristics of availability, confidentiality and integrity: in the light of the Russian-Ukrainian crisis on the EU financial markets, particular attention has been paid to the assessment of related risks. In compliance with the measures provided for by current legislation, Fineco has undertaken a series of initiatives aimed at verifying its security posture and operational readiness, also making use of the indications and recommendations suggested by the various national and international bodies. Without prejudice to the adoption, as always, of best practices in the field of security, in terms of both technical and organizational/procedural measures, further mechanisms have been introduced to deal with any impacts deriving from the contingent situation ensuring, at the same time, the constant and continuous monitoring of the evolution of the context.

Analysis of operational and security risks related to payment services

In accordance with the 28th update of Bank of Italy Circular 285, the Group carries out an assessment of operational and security risks related to payment services provided by the Group. The adequacy of mitigation measures and control mechanisms in place are also in scope. The resulting report for the year 2022 did not show any criticalities or weaknesses, and it was sent to the Bank of Italy within April 30th, 2023, according to the rule thereof.

Impacts of the crisis unfolded by Russia – Ukraine conflict

No relevant impacts arising from Russia – Ukraine conflict have been detected so far on the Group operational risk profile. Available KRI are not showing any risk profile change, and it has not been detected any operational loss strictly connected with Russia – Ukraine conflict so far.

As far as operational risk is concerned, it should be noted that FinecoBank has not changed its strategies and objectives as well as its management, measurement and control policies.

B. Risks arising from significant legal disputes

The Group, only referred to FinecoBank, is involved in individually insignificant legal proceedings over which there is considerable uncertainty regarding the outcome and the amount of possible charges, which the Bank could be forced to pay. Where it is possible to reliably estimate the amount of possible charges and the charges are considered likely, provisions have been made in an appropriate amount based on the circumstances and consistent with applicable international accounting standards, by making the best possible estimate of the amount that the Group will reasonably be expected to incur in discharging its obligations. Specifically, as a precaution against these obligations and customer claims that have not yet resulted

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in legal proceedings, as at December 31st, 2023, FinecoBank had a provision in place for risks and charges of € 23,817 thousand. This provision includes the legal costs borne by the Group in the event of an adverse conclusion of the dispute plus the estimated expenses to be paid to legal advisors and/or any experts who assist the Group in ongoing disputes to the extent that it is believed that they will not be reimbursed by the counterparties. This estimate was determined by the Group, in relation to the current dispute, mainly based on the analysis of Forensic official tariffs provided for by current legislation.

C. Risks arising from tax disputes and audits

Risks arising from tax disputes and audits as at December 31st, 2023 mainly relate to a notice of assessment for the year 2003 received by FinecoBank containing an objection to the use of tax credits for € 2.3 million, in relation to which the Bank has appealed to the Supreme Court as it considers its position to be well-founded. The Bank has already paid the additional taxes and interest due.

With regard to the aforementioned dispute, the higher taxes, interests and penalties have already been recognised in the income statement with a contra entry, respectively, in tax liabilities and the provision for risks and charges. Moreover, tax receivables for the amounts paid to the tax administration have been recognised.

In light of the foregoing, as at December 31st, 2023 the Group had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, to tax liabilities of for a total of € 2.9 million, for higher tax, and to provisions for risks and charges of € 3.5 million, for penalties and interest.

Quantitative information

Operational loss analyses enable the Operational & Reputational Risk team to make assessments on the Group’s exposure to operational risk and to identify any critical areas.

As at December 31st, 2023, around 60% of the Group's operational losses relate to conduct risk, which includes the two event types "Internal fraud" and "Customers, products and business practices". In particular, the "internal fraud" event type mainly manifests itself through fraud perpetrated to the detriment of customers by financial advisors who are part of the sales network. To mitigate this risk, in addition to the many remote controls carried out on the sales network by various Bank structures (Network Control Department, Internal Audit, Compliance and CRO Department), an insurance policy was taken out on the infidelity of financial advisors. The "Customers, products and professional practices" event type, on the other hand, mainly manifests itself through the misselling of financial products to customers.

The losses relating to the other event types, described in the section “Risk measurement systems”, are equal to approximately 40%.

It should be noted that the reduction in the weight of the Group's operational losses relating to conduct risk compared to December 2022 (they amounted to approximately 76%) is mainly due to the reduction in losses arising from internal fraud (ET 1) during 2023, and only to a small extent to the increase in losses relating to the other event types.

The data reported are consistent with FinecoBank's business model which focuses on offering financial advisory services to retail customers and has one of the largest sales networks in Europe.

Part E - Information on Risks and relating hedging policies

1.6 - Other risks and information

Although the risk types described above represent the main categories, there are others the Group considers nevertheless important. According to Pillar 2 regulatory requirements, the Group annually carries out a risk assessment identification process aimed at identifying all relevant risks different from Pillar One risks (credit, market and operational), to which the Group is, or may be exposed to. Along with traditional financial risks, potential significant non-financial risks are also identified, including for example reputational risks and those deriving from environmental, social and governance (ESG) factors.

After the identification of all relevant risks, the best method for analyzing them shall be identified, whether quantitative or qualitative. The quantitative measurement may be carried out through several tools, such as scenario analysis (this is the choice in particular for hard quantifiable risk such as the reputational risk and the compliance risk), VaR or the Internal Capital calculation. The latter stands for the capital needed to cope with potential losses arising from the Group's activities, and takes into consideration all risks defined by the Group itself quantifiable in terms of capital, consistently with Pillar two requirements.

The main risks considered in the overall Group Internal Capital as of December 2023 are default risk, concentration risk, migration risk, market risk, interest rate risk, credit spread risk, operational risk, business risk, and real estate risk. The overall Internal Capital is periodically exposed to stress test exercises. Such tools allow to assess the Group's vulnerabilities to exceptional but plausible events, providing additional information with respect to monitoring activities.

Environmental, social and governance risks (ESG)

Within the annual Risk Inventory process, the CRO Department prepares a focus on ESG risks and reputational risks was prepared. Since these are cross-cutting risks, the analysis had as its object an assessment of the impact of environmental, social, reputational and governance risk factors on the traditional risk categories already managed and monitored by the Group. In line with the priorities highlighted by the regulators, the ESG risk assessment was carried out considering different time horizons (Short and medium/long term), and focused on climate and environmental risks. For all the time horizons considered, the assessment did not show a high incidence of the latter on the Group's risk profile.

In general, FinecoBank's business model is not very exposed to climatic and environmental risk factors. The results of the analysis confirmed that the risk categories which, albeit marginally, could be impacted by climatic and environmental factors are the credit risks deriving from credit lines by retail customers and the business risks deriving from the offer of non-financial products aligned with customers' sustainability preferences.

With regard to credit risks, the analysis carried out in the risk inventory 2024 recognizes that mortgage loans disbursed to retail customers could already be affected in the short term by the reduction in the value of the collateral properties, mainly due to acute physical risk factors (eg floods or landslides). The trend might also worsen in the long run as global warming worsens, through a greater frequency and intensity of acute physical risk events, with a more evident manifestation of chronic physical risks (e.g. sea level rise) and with a greater probability of running up to transition risk factors, such as, for example, the requirement of a minimum energy class for the sale of real-estate properties.

In order to mitigate the overall exposure to ESG risks, as part of the second-line controls on credit risks, a series of monitoring procedures have been envisaged aimed at overseeing the areas considered most at risk, including, by way of example, the inclusion of a specific environmental risk indicator (ND-Gain) in the context of country risk monitoring, the integration of climatic and environmental risk factors in the model for estimating the Loss Given Default (LGD) of mortgage loans under the ECL IFRS 9 and the monitoring of the concentration of real-estate properties guaranteeing mortgage loans in areas with a high climate and environmental impact, included in the RAF as early as 2020.

Unlike credit risks, business risks are more concentrated in the short term. In particular, the performance of investment products classifiable as non-sustainable pursuant to the EU taxonomy regulation, offered by the Legal Entity Fineco Asset Management (FAM), could be affected by certain transition risks, such as for example the change in customer preferences, which could move towards more sustainable products offered by other asset managers. The risk factor should decrease in the medium/long term following FAM's refinement of its offer of sustainable products.

Finally, it should be noted that, within the ICAAP 2023Fineco carried out both a quantitative climate stress test and a reverse qualitative stress test. On the one hand, the quantitative climate stress test focused on three uncorrelated risk factors considered relevant to Fineco's business model:

- change of customer preference from FAM funds classified as "non-ESG" (art. 6 SFDR) to funds of third-party managers classified as "ESG" (art. 7 and 8 SFDR). The objective of the scenario, which can be classified as transition risk, is to estimate the impact of the change in preference on the commission profile and internal capital related to the Group's business risk;
- reduction of the value of properties guaranteeing land loans located in areas with high climatic and environmental risk (physical risk). The reduction in such value would lead to an increase in LGD and a consequent increase in credit risk provisions and a greater credit risk internal capital;
- downgrade of the countries mostly exposed to climate and environmental risks. In the 2022 ICAAP stress test, in line with the exposures held by the Group, the counterparties considered were China, the United Arab Emirates and Latvia. The downgrade determines a higher PD of the aforementioned institutional counterparties, and consequently higher credit provisions and credit risk internal capital.

On the other hand, the qualitative reverse stress test hypothesized the flooding of both FinecoBank Data Processing Centers (CED) for a prolonged period of time following an extreme flood event.

The stress test outcome confirmed the limited impact of climatic and environmental factors on the Group's business model.

In addition to this, as part of the Environmental Management System certified in accordance with EMAS regulation no. 1221/2009/EC, during 2023, the assessment of environmental aspects and risks was updated as part of the Environmental Review, a tool that makes it possible to map stakeholders' needs and expectations in the environmental sphere, detect their respective risks for FinecoBank, as well as classify the risks generated and suffered by the organisation related to the most significant environmental aspects on the basis of company activities. Specifically, the assessments of the significance of direct and indirect environmental aspects were confirmed, with the exception of that related to employee mobility, which was re-evaluated as "not significant”.

For further information on environmental, social and governance risks the Group is exposed to, reference is made to the 2023 Non-Financial Statement.

Section 3 – Insurance companies risk

No information to report.

Section 4 – Other companies' risk

No information to report.

Part F - Consolidated shareholders' equity

Section 1 - Consolidated Shareholders' equity

A. Qualitative information

Group capital management is aimed at ensuring that ratios are consistent with the risk profile assumed and comply with regulatory requirements.

Capital adequacy control is ensured by the capital management activity where the size and optimal combination among the various capitalisation instruments are defined, in compliance with regulatory constraints and in line with the risk profile assumed by the Group.

The Group assigns a priority role to the activities aimed at the management and allocation of capital according to the risks assumed, for the purpose of developing its operations with a view to creating value. The activities are articulated in the different phases of the planning and control process and, in particular, in the plan and budget processes and in the monitoring processes. In the dynamic management of capital, therefore, the Parent Company draws up the capital plan and monitors the regulatory capital requirements, anticipating the necessary actions to achieve the objectives.

Capital and its allocation are therefore extremely important in defining long-term strategies, since, on the one hand, it represents the shareholders' investment in the Group, which must be adequately remunerated, and, on the other hand, it is a resource subject to exogenous limits, defined by supervisory regulations. In this regard, it should be noted that, at the end of the Supervisory Review and Evaluation Process (SREP), on November 30th, 2023 the European Central Bank communicated the capital requirements applicable to the FinecoBank Group as of January 1st, 2024:

- 8.23% in terms of Common Equity Tier 1 ratio, which includes the Pillar 2 Requirement (P2R), set at 1.13%;
- 10.10% in terms of Tier 1 Ratio, which includes a P2R, set at 1.50%;
- 12.60% in terms of Total Capital Ratio, which includes a P2R, set at 2.00%.

It should be noted that these requirements include the capital conservation buffer of 2.5% and the countercyclical capital buffer determined with reference to outstanding exposures as at 31 December 2023 of 0.10%.

It should be noted that until December 31st, 2023, the additional capital requirements (P2R) for the Group were 0.98% in terms of CET1, 1.31% in terms of T1, and 1.75% in terms of Total Capital.

With regard to the leverage ratio the minimum requirement is 3%.

The consolidated shareholders' equity includes the following financial instrument:

- Additional Tier 1 issued on January 31st, 2018. The financial instrument is a perpetual private placement[32], issued for a total of € 200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%. Starting from June 3rd, 2023, and for the next five years, the coupon was set at 7.363%;
- Additional Tier 1 issued on July 11th, 2019. The financial instrument is a perpetual public placement, intended to trade on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of € 300 million. The coupon for the first 5 years has been fixed at 5.875%.

[32] Unrated and unlisted

Part F - Consolidated shareholders' equity

B. Quantitative information

B.1 Consolidated Shareholders' equity: breakdown by company type

(Amounts in € thousand)

Net equity items	Prudential consolidated	Insurance companies	Other companies	Consolidation adjustments and eliminations	Total
1. Share capital	201,508	-	-	-	201,508
2. Share premium reserve	1,934	-	-	-	1,934
3. Reserves	890,106	-	-	-	890,106
4. Equity instruments	500,000	-	-	-	500,000
5. (Treasury shares)	(1,243)	-	-	-	(1,243)
6. Revaluation reserves:	(6,730)	-	-	-	(6,730)
- Financial assets (other equity securities) designated at fair value through other comprehensive income	(2,595)	-	-	-	(2,595)
- Actuarial gains (losses) on defined benefit plans	(4,136)	-	-	-	(4,136)
- Provisions for valuation reserves related to equity investments valued at shareholders' equity	1	-	-	-	1
7. Net profit (loss) for the year (+/-) minority interests	609,101	-	-	-	609,101
Total	**2,194,676**	**-**	**-**	**-**	**2,194,676**

B.2 Revaluation reserves for financial assets at fair value through comprehensive income: breakdown

(Amounts in € thousand)

Assets/values	Prudential consolidation		Insurance companies		Other companies		Consolidation adjustments and eliminations		Total	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	(2,595)	-	-	-	-	-	-	-	(2,595)
2. Equity securities	-	-	-	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 12/31/2023	**-**	**(2,595)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,595)**
Total 12/31/2022	**-**	**(3,898)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,898)**

Part F - Consolidated shareholders' equity

B.3 Revaluation reserves for financial assets at fair value through comprehensive income: annual changes

(Amounts in € thousand)

	Debt securities	Equity securities	Loans
1. Opening balance	**(3,898)**	**-**	**-**
2. Increases	**1,303**	**-**	**-**
2.1 Fair value increases	1,303	-	-
2.2 Adjustments for credit risk	-	X	-
2.3 Reclassification through profit or loss of realised negative reserves	-	X	-
2.4 Transfer from other shareholder's equity item (equity securities)	-	-	-
2.5 Other changes	-	-	-
3. Decreases	**-**	**-**	**-**
3.1 Fair value reductions	-	-	-
3.2 Recoveries for credit risk	-	-	-
3.3 Reclassification through profit or loss of realised positive reserves	-	X	-
3.4 Transfer to other shareholder's equity item (equity securities)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	**(2,595)**	**-**	**-**

B.4 Revaluation reserves on defined benefit obligations: annual changes

(Amounts in € thousand)

	Actuarial gains (losses) on defined benefits plans
1. Opening balance	**6,020**
2. Increases	**-**
2.1 Fair value increases	-
2.2 Other changes	-
3. Decreases	**(10,156)**
3.1 Fair value reductions	**-**
3.2 Other changes	**(10,156)**
4. Closing balance	**(4,136)**

Section 2 - Own funds and banking regulatory ratios

Please refer to the information on own funds and the capital adequacy contained in the document "FinecoBank Group public disclosure – Pillar III as at December 31st, 2023", published on the Company's website (https://about.finecobank.com), as required by Regulation (EU) 575/2013 subsequently Regulations modifying its content, including in particular, the Regulation (EU) 876/2019 (so called CRR II) of the European Parliament and of the Council and Regulation (EU) 2020/873 of the European Parliament and of the Council (so-called CRR Quick-fix).

Part G - Business combination

Section 1 – Business combinations completed during the year
No information to report.

Section 2 – Business combinations completed after year-end
No information to report.

Section 3 – Retrospective adjustments
No information to report.

Part H - Related-party transactions

Information on the fees paid to key management personnel and on related-party transactions, pursuant to IAS 24 is shown below.

1. Details of compensation for key management personnel

Key management personnel are persons having authority and responsibility, within the Parent Company, for planning, directing, and controlling the Companies' activities, directly or indirectly. This category includes Board members and members of the Board of Statutory Auditors of FinecoBank, pursuant to requirements of the Bank of Italy Circular no. 262 of December 22nd, 2005 as amended and updated, as well as the Chief Executive Officer and General Manager, the Deputy General Manager/GBS Manager, the Chief Financial Officer, the Deputy General Manager/PFA Network Commercial and Private Banking Manager, the Deputy General Manager/Global business Manager. In addition, this category includes key management personnel (by which is meant, members of the management and control bodies, the latter where present) of Fineco AM, the only Group company in addition to the Parent Company FinecoBank.

(Amounts in € thousand)

Items/sectors	Total 2023	Total 2022
Remuneration paid to "Key Management Personnel", Directors and the Board of Statutory Auditors		
a) short-term benefits	9,095	8,322
b) post-employment benefits	302	572
of which under defined benefit plans	*-*	*-*
of which under defined contribution plans	*302*	*572*
c) other long-term employee benefits	534	442
d) termination benefits	-	-
e) share-based payments	2,898	3,132
Total	**12,829**	**12,468**

2. Related-party transactions

At its meeting February 7th, 2023 and with the prior favourable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors, the Board of Directors, to ensure continued compliance with applicable legal and regulatory provisions on the corporate disclosure of transactions with related parties and persons in conflict of interest, approved the new version of the Global Policy "Procedure for the management of transactions with persons in potential conflict of interest of the FinecoBank Group" (the "Global Policy").

The aforementioned Global Policy includes the provisions to be complied with when managing:

- related parties transactions pursuant to the Consob Regulation adopted by resolution on March 12th, 2010, no. 17221 as amended and updated from time to time (most recently by Consob Resolution No. 21624 of December 10th, 2020);
- transactions with associated persons pursuant to the regulations on "*Risk activities and conflicts of interest with Associated Persons*", laid down by Chapter 11 of Bank of Italy Circular No. 285 of December 17th, 2013 (setting out the "Supervisory Provisions for Banks"), as supplemented following Update No. 33 of June 23rd, 2020;
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 on September 1st, 1993, showing the "*Consolidated Law on Banking*";
- transactions with other relevant persons in potential conflict of interest as defined by the Bank on a self-regulatory basis, taking into account the applicable legal and regulatory provisions;
- loans granted to Directors (i.e. members of the administrative, management and control bodies) and their related parties, pursuant to art. 88 of the CRD.

Considering the above, during 2023, intercompany transactions and transactions with other Italian and foreign related parties, smaller transactions, were conducted within the ordinary course of the Group's business and related financial activities, and were carried out under standard conditions or conditions similar to those applied to transactions with unrelated third parties; in the same period, no other transactions were undertaken with related parties that could significantly affect the Bank's and the FinecoBank Group's asset situation and results, or atypical and/or unusual transactions, including intercompany and related party transactions.

Part H - Related-party transactions

The following statement shows the outstanding assets, liabilities, guarantees and commitments as at December 31st, 2023, for each group of related parties pursuant to IAS 24:

(Amounts in € thousand)

	Amounts as at 12/31/2023							
	Non consolidated subsidiaries	Associates	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Financial assets at amortised cost b) loans and receivable to customers	-	-	1,074	466	1,540	0.01%	4,272	0.02%
Total assets	**-**	**-**	**1,074**	**466**	**1,540**	**0.01%**	**4,272**	**0.01%**
Financial liabilities at amortised cost b) deposits from customers	-	-	1,805	4,328	6,133	0.02%	1,929	0.01%
Financial liabilities held for trading	-	-	-	-	-	0.00%	51	0.73%
Other liabilities	-	157	236	-	393	0.09%	-	0.00%
Total liabilities	**-**	**157**	**2,041**	**4,328**	**6,526**	**0.02%**	**1,980**	**0.01%**
Commitments and financial guarantees given	**-**	**-**	**726**	**56**	**782**	**0.25%**	**-**	**0.00%**

It should be noted that the table above does not include the balance sheet value of the equity investments held in associated companies recognised in the balance sheet item 70 Equity investments.

With regard to the above transactions, broken down by type of related party, we also propose details of the impact on the main items of the consolidated income statement:

(Amounts in € thousand)

	Income Statement year 2023							
	Non consolidated subsidiaries	Associates	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Interest income and similar revenues	-	-	11	17	28	0.00%	-	0.00%
Interest expenses and similar charges	-	-	(5)	(2)	(7)	0.01%	-	0.00%
Fee and commission income	-	-	4	9	13	0.00%	17,750	1.89%
Fee and commission expenses	-	(623)	-	-	(623)	0.14%	(6,855)	1.52%
Gains (losses) on financial assets and liabilities held for trading	-	-	-	2	2	0.00%	-	0.00%
Impairment losses/writebacks	-	-	1	-	1	-0.03%	3	-0.10%
Other net operating income	-	-	76	12	88	0.05%	-	0.00%
Total income statement	**-**	**(623)**	**87**	**38**	**(498)**		**10,898**	

It should be noted that two legal subjects, which are included in the "Shareholders" category as at December 31st, 2023, appear to have been the first borrowers of a portion of the senior preferred bond issued by FinecoBank during 2021 (the Shareholders were not such at the date of placement) and the senior preferred bond issued by FinecoBank in 2023, but nothing has been reported in the tables above as the instrument is a listed public placement and no information is available on the holders of the security at the balance sheet date.

The "Associates" category includes transactions with Vorvel SIM S.p.A., a company under significant influence, in which FinecoBank holds a 20% stake for a balance sheet amount of € 1,652 thousand. The above transactions originate from the agreement entered into by the Bank with Vorvel SIM S.p.A. for the trading, on Vorvel segment, of certificates issued by Fineco. With reference to the transactions with Vorvel SIM S.p.A., it should be noted that the above table does not include the valuation at equity of the Company, which resulted in the recognition of a write-down of € 68 thousand in the 2023 income statement.

With regard to the category "Directors, Board of Statutory Auditors and Key Management Personnel", in application of the special regulations laid down in Article 136 of Legislative Decree 385/93 (Consolidated Law on Banking), the obligations established for persons that perform administrative,

Part H - Related-party transactions

management and control functions pursuant to those regulations were unanimously approved by a resolution of the Board of Directors with the favourable vote of all members of the Board of Statutory Auditors, in accordance with Article 136 of said Consolidated Law on Banking.

The category "Directors, Board of Statutory Auditors and Key Management Personnel" includes the Directors, Board of Statutory Auditors and Key Management Personnel of the Parent Company dealings (excluding their remuneration, which are discussed in point 1. *Details of compensation for key management personnel*), Key Management Personnel of the Subsidiary Fineco AM (meaning the members of the administrative and supervisory bodies, where present, with the exclusion of the relevant remuneration referred to in point 1 above) and dealings with the Head of Internal Audit of FinecoBank, mainly concerning assets for credit card use, mortgages and liabilities for funds held by them with the Bank. The income statement for 2023 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Other related parties" category, if any, includes:

- close family members of key management personnel (i.e., relatives who could be expected to influence, or be influenced by the party involved);
- companies controlled (or jointly controlled) by, or associated with, "key management personnel" or their close family members.

Transactions with "Other related parties" mainly refer to assets for the granting of mortages, credit facilities, credit card use and liabilities for funds held with the Bank. The income statement for 2023 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Shareholders" category includes the shareholders and their subsidiaries holding which at December 31st, 2023 held an investment in FinecoBank higher than 3% of the share capital represented by shares with voting rights. The balance sheet amounts include for current receivables and debts associated with the provision of financial services referring to the commissions to be cashed for the placement and management of asset management products. The income statement includes the same fees and commissions accrued for 2023.

Part I - Share-based payments

A. Qualitative information

1. Description of share-based payments

1.1 Outstanding instruments

The Medium & Long Term Incentive Plans for employees and personal financial advisors of the Bank include Equity-Settled Share Based Payments that involve payments settled with shares of FinecoBank;

The above categories refer to the allocation of the following plans:

- **Incentive Systems (Bonus Pool),** offering to "Identified Staff", classified on the basis of regulatory requirements, a bonus structure consisting of immediate payments (following performance evaluation) and deferred payments in cash and ordinary FinecoBank shares, over a maximum period of 6 years. This payment structure ensures that bonuses are aligned to shareholders' interests and is subject to malus clauses (which apply in the event that specific profitability, liquidity and capital thresholds are not met) and clawback clauses (to the extent they are legally applicable) in accordance with the plan rules (both represent vesting conditions other than market conditions);
- **2018-2020 Long Term Incentive Plan for Employees** entirely based on free FinecoBank shares, granted to selected Bank's Employees. The Plan provides goals linked to 2020 FinecoBank targets in terms of value creation, sustainability and risk, with entry condition and clawback and malus conditions. The Plan provides a payout structure in a multi-year period defined on the basis of the beneficiaries categories, in line with the regulatory provisions;
- **2021-2023 Long Term Incentive Plan for employees** entirely based on free FinecoBank shares to be granted to selected employees of the FinecoBank Group. The Plan sets goals linked to FinecoBank Group 2021-2023 targets in terms of value creation, industrial sustainability, risk e stakeholder value, with entry condition and clawback and malus conditions. The Plan provides for a multi-year period, payment structure, defined according to the beneficiary categories and in line with the regulatory provisions;
- **PFA Incentive Systems,** offering selected personal financial advisors, classified as "Identified Staff" in accordance with regulatory requirements, incentive systems consisting of immediate cash payments (following performance evaluation) and deferred payments, in cash and FinecoBank ordinary shares, over a period of 5 years. This payment structure ensures that bonuses are aligned to shareholders' interests and is subject to malus clauses (which apply in the event that specific profitability, liquidity and capital thresholds are not met) and clawback clauses (to the extent they are legally applicable) in accordance with the plan rules (both vesting conditions other than market conditions);
- **2018-2020 Long Term Incentive Plan for Financial Advisors Identified Staff** that provides a bonus in cash and FinecoBank ordinary shares for the financial advisors classified as Identified Staff in 2020 towards the achievement of commercial performance goal in 2018-2020. The plan provides entry conditions and malus and clawback conditions. The plan also provides a multi-year payout structure.

Shares for employee's incentive plans envisaging the allocation of FinecoBank shares will be issued through free capital increases in accordance with Article 2349 of the Italian Civil Code.

The financial instruments for incentive plans for the financial advisors involving the allocation of FinecoBank shares will be obtained through market purchases in implementation of the authorisation of the Bank Shareholders' Meeting pursuant to Article 2357 of the Italian Civil Code and of the Supervisory Authority.

1.2 Measurement model

1.2.1 Incentive System (Bonus Pool)

The economic value of the shares granted is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

The plans are divided into clusters, each of which may include several deferred share-based payment instalments according to the period defined by the plan rules. The Plans have been allocated starting from 2014 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

Part I - Share-based payments

1.2.1.1 2022 Incentive System (Bonus Pool)

The 2022 Incentive System is based on a bonus pool approach, in line with regulatory requirements and market practices; this approach sets out:

- the system's sustainability, by linking it directly to business results and aligning it to relevant risk categories through specific indicators that reflect the Risk Appetite Framework;
- the allocation of bonuses to beneficiaries classified as "Identified Staff" on the basis of the current applicable regulatory framework;
- a structure of payments spread over a period of up to 6 years and consisting of a mix of cash and shares, as required by the applicable regulatory framework.

The plan was assigned in 2022 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

	FinecoBank shares granted			
	2022 incentive system (bonus pool) – Beneficiaries in 4 instalments			
	2024 instalment	2026 instalment	2027 instalment	2028 instalment
Bonus Opportunity Economic Value Grant Date	18-Jan-22	18-Jan-22	18-Jan-22	18-Jan-22
Number of Shares - Date of Board resolution	07-Feb-23	07-Feb-23	07-Feb-23	07-Feb-23
Vesting Period Start Date	01-Jan-22	01-Jan-22	01-Jan-22	01-Jan-22
Vesting Period End Date	31-Dec-22	31-Dec-24	31-Dec-25	31-Dec-26
FinecoBank Share Market Price [€]	16.495	16.495	16.495	16.495
Average Economic Value of Vesting conditions [€]	-0.486	-1.828	-2.538	-3.301
Performance Shares value per share at Grant Date [€]	16.009	14.667	13.957	13.194

	FinecoBank shares granted		
	2022 incentive system (bonus pool) - Beneficiaries in 3 instalments		
	2024 instalment	2025 instalment	2026 instalment
Bonus Opportunity Economic Value Grant Date	18-Jan-22	18-Jan-22	18-Jan-22
Number of Shares - Date of Board resolution	07-Feb-23	07-Feb-23	07-Feb-23
Vesting Period Start Date	01-Jan-22	01-Jan-22	01-Jan-22
Vesting Period End Date	31-Dec-22	31-Dec-23	31-Dec-24
FinecoBank Share Market Price [€]	16.495	16.495	16.495
Average Economic Value of Vesting conditions [€]	-0.486	-1.147	-1.828
Performance Shares value per share at Grant Date [€]	16.009	15.348	14.667

1.2.1.2 2023 Incentive System (Bonus Pool)

The 2023 Incentive System is based on a bonus pool approach, in line with regulatory requirements and market practices; this approach sets out:

- the system's sustainability, by linking it directly to business results and aligning it to relevant risk categories through specific indicators that reflect the Risk Appetite Framework;
- the allocation of bonuses to beneficiaries classified as "Identified Staff" on the basis of the current applicable regulatory framework;
- a structure of payments spread over a period of up to 6 years and consisting of a mix of cash and shares, as required by the applicable regulatory framework.

The plan was assigned in 2023 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

Part I - Share-based payments

1.2.2 2018-2020 Long Term Incentive Plan for Employees

The Plan establishes FinecoBank targets set at 2020 in terms of value creation, sustainability and risk. The Plan Beneficiaries are selected among the "key" Bank resources, including the Mangers with Strategic Responsibilities.

The Plan, which is in line with regulatory requirements and market practices, includes:

- Performance targets such as EVA, Cost/Income and Cost of Risk on commercial loans;
- malus conditions based on profitability, capital and liquidity parameters;
- Individual compliance and clawback conditions;
- a risk adjustment based on the yearly results of the CRO Dashboard.

The plan provides for a multi-year payment structure consisting of a mix of cash and shares, as required by the applicable regulatory framework.

The plan was allocated in 2018 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.3 2021-2023 Long Term Incentive Plan for employees

The Plan sets goals linked to FinecoBank Group 2021-2023 targets in terms of value creation, industrial sustainability, risk e stakeholder value. Beneficiaries are selected key resources of FinecoBank Group, included the Managers with Strategic Responsibility.

The Plan, which is in line with regulatory requirements and market practices, includes:

- performance targets (such as ROAC, Net Sales of AUM, Cost Income Ratio, e Cost of Risk on commercial loans), stakeholder value (customer satisfaction, people engagement and rating ESG for all new funds);
- entry and malus conditions of capital, liquidity and profitability as well as individual compliance conditions, a claw-back clause and a continuous employment clause;
- a risk adjustment based on the yearly results of the CRO Dashboard.

The Plan provides for a multi-year period, payment structure, defined according to the beneficiary categories and in line with the regulatory provisions;

The plan was allocated in 2021 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.4 Incentive System for Personal Financial Advisors

The economic value of the shares granted is measured considering the share market price at the grant date less the present value of future dividends during the vesting period.

The plans are divided into clusters, each of which may include several deferred share-based payment instalments according to the period defined by the plan rules. The Plans have been allocated starting from 2016 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

1.2.4.1 2022 PFA Incentive System

The 2022 PFA Incentive System is based on a bonus pool approach, in line with regulatory requirements and market practices; this approach sets out:

- the system's sustainability, by linking it directly to business results and aligning it to relevant risk categories through specific indicators that reflect the Risk Appetite Framework;
- the allocation of bonuses to beneficiaries classified as "Identified Staff" on the basis of the current applicable regulatory framework;
- a payment structure spread over a period of up to 5 years and consisting of a mix of cash and shares, as required by the applicable regulatory framework.

Part I - Share-based payments

The Plan was assigned in 2022 and the income statement and balance sheet effects will be recognized during the vesting period of the instruments.

	FinecoBank shares granted		
	2022 PFA incentive system		
	2024 instalment	2023 instalment	2026 instalment
Bonus Opportunity Economic Value Grant Date	18-Jan-22	18-Jan-22	17-Jan-28
Number of Shares - Date of Board resolution	07-Feb-23	07-Feb-23	07-Feb-23
Vesting Period Start Date	01-Jan-22	01-Jan-22	01-Jan-22
Vesting Period End Date	31-Dec-22	31-Dec-23	31-Dec-24
FinecoBank Share Market Price [€]	16.369	16.369	16.369
Average Economic Value of Vesting conditions [€]	-0.486	-1.147	-1.828
Performance Shares value per share at Grant Date [€]	15.883	15.222	14.541

1.2.4.2 2023 PFA Incentive System

The 2023 PFA Incentive System is based on a bonus pool approach, in line with regulatory requirements and market practices; this approach sets out:

- the system's sustainability, by linking it directly to business results and aligning it to relevant risk categories through specific indicators that reflect the Risk Appetite Framework;
- the allocation of bonuses to beneficiaries classified as "Identified Staff" on the basis of the current applicable regulatory framework;
- a payment structure spread over a period of up to 5 years and consisting of a mix of cash and shares, as required by the applicable regulatory framework.

The Plan was assigned in 2022 and the income statement and balance sheet effects will be recognized during the vesting period of the instruments.

1.2.5 2018-2020 Long Term Incentive Plan for Personal Financial Advisors Identified Staff

The Plan is dedicated to the Financial Advisors that were Bank's Identified Staff in 2020 and provides three-years (2018-2020) commercial performance goals. Moreover the Plan includes:

- entry conditions based on individual and Group performance;
- capital, liquidity and profitability malus conditions;
- specific individual compliance and *clawback* conditions*;*
- a risk adjustment based on the yearly results of the CRO Dashboard;
- a balanced payment structure with upfront and deferred payments in cash and/or FinecoBank shares.

The Plan was approved in 2018; the income statement and balance sheet effects are recognized during the vesting period of the instruments.

Part I - Share-based payments

B. Quantitative information

1. Annual changes

(Amounts in € thousand)

Items / Number of options and exercise price	Prudential consolidation			Insurance companies			Other companies			Total 12/31/2023			Total 12/31/2022		
	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity
A. Opening balance	**2,013,326**	**-**	**Oct-24**	**-**	**-**	**-**	**-**	**-**	**-**	**2,013,326**	**-**	**Oct-24**	**2,037,312**	**-**	**Jun-24**
B. Increases	**171,119**	**-**	**X**	**-**	**-**	**X**	**-**	**-**	**X**	**171,119**	**-**	**X**	**244,406**	**-**	**X**
B.1 New issues	171,119	-	Jul-25	-	-	-	-	-	-	171,119	-	Jul-25	244,406	-	May-24
B.2 Other increases	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
C. Decreases	**(593,081)**	**-**	X	**-**	**-**	X	**-**	**-**	X	**(593,081)**	**-**	X	**(268,392)**	**-**	X
C.1 Cancelled	(5,286)	-	X	-	-	X	-	-	X	(5,286)	-	X	(2,115)	-	X
C.2 Exercised	(587,795)	-	X	-	-	X	-	-	X	(587,795)	-	X	(266,277)	-	X
C.3 Expired	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
C.4 Other changes	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
D. Closing balances	**1,591,364**	**-**	Jul-25	**-**	**-**	**-**	**-**	**-**	**-**	**1,591,364**	**-**	**Jul-25**	**2,013,326**	**-**	**Oct-24**
E. Vesting options at the end of the year	**422,251**	**-**	X	**-**	**-**	X	**-**	**-**	X	**422,251**	**-**	X	**587,795**	**-**	X

The number of shares specified in the above table only refers to plans for which the number of shares allotted to individual beneficiaries has already been defined. The average prices for the year have not been stated because only freely allocated shares were involved.

2. Other information

Effects on Profit and Loss

The economic and balance-sheet effects associated with the FinecoBank share-based incentive plans are shown below, with the exception of the balance of the Reserve associated with the Equity Settled plans. The consolidated income statement impact is determined each year based on the vesting period of the instruments.

Financial statement presentation related to payments based on shares

(Amounts in € thousand)

	Total 12/31/2023		Total 12/31/2022	
	Total	Vested plans	Total	Vested plans
Costs	5,333		5,614	
Costs connected to Equity Settled Plans	*5,333*		*5,614*	
Sums paid to UniCredit S.p.A. for vested plans				35
Sums collected by UniCredit S.p.A. for vested plans		46		
Credit accrued towards Unicredit S.p.A.	23		69	

Please note that the charges relating to Equity Settled Plans were recognised as Administrative expenses– Staff expenses with respect to the plans granted to employees and as Fee and commission expenses with regard to plans granted to personal financial advisors.

Part L – Segment reporting

Segment reporting information is not provided as the Fineco's particular business model provides for a high level of integration among its different activities including the activity carried-out by the Irish subsidiary Fineco Asset Management DAC thanks to the vertically integrated business model; thus it is not significant to identify distinct operating sectors.

The banking and investment services are offered by FinecoBank through a network of personal financial advisors and online and mobile channels, that operate in a coordinated and integrated manner. The fully-comprehensive nature of the services offered allows to act as a one-stop solution for customers' banking and investment requirements. This strategy, which is strongly anchored to the customer, means that revenues and margins relative to various products/services (investing, banking and brokerage) are highly interdependent on each other. This integration approach has also inspired top management in setting company targets and identifying the means to achieve them.

As regards information on revenues from customers by product/service, in view of the above, reference should be made to information in Part C - Information on the consolidated income statement of these notes to the consolidated accounts.

It is note worthing that FinecoBank mainly targets retail customers in Italy, given the non-significant contribution from operations to UK customers. The subsidiary Fineco AM carries out asset management activities in Ireland, towards the Italian retail customers and towards institutional customers, mainly resident in Luxembourg and in Ireland.

Information concerning the degree of dependency on main customers is therefore considered by top management as not relevant and is not therefore disclosed.

Part M – Leasing

Section 1 - Lessee

Qualitative information

The leasing contracts that fall within the scope of application of the standard IFRS16 are represented by the lease contracts of the properties used by the Group and by the financial shops used by financial advisors and managed directly by the Bank, in addition to lease contracts for machinery and cars.

The Group is potentially exposed to outgoing financial flows, for variable payments due for leasing (in particular referring to the ISTAT revaluation), not included in the initial valuation of the lease liability.

The Group has determined the duration of the lease, for each individual contract, considering the "non-cancellable" period during which it has the right to use the underlying asset and taking into account all the contractual aspects that can change this duration, including, in particular, the possible presence of:

- periods covered by a right of resolution (with related penalties) or an option to extend the lease to the lessee, the lessor alone, or to both, even at different periods over the duration of the contract;
- periods covered by an option to purchase the underlying asset.

In general, with regard to contracts that provide the option right for the Bank or the subsidiary to automatically renew the lease at the end of an initial contractual period, the duration of lease has determined based on historical experience (in particular for the Bank) and the information available at the date, considering in addition to the non-cancellable period also the period subject to the extension option (first contract renewal period), except for the existence of business plans to dispose of the leased asset as well as clear and documented assessments by the competent Group structures that lead to consider reasonable the failure to exercise the option to renew or exercise the termination option, also taking into account, with particular regard to the financial shops in use by the financial advisors of the Bank, the commercial strategies of recruitment and territorial organization of the network.

The Group has not provided guarantees on the residual value of the leased asset and has no commitments for the stipulation of lease contracts not included in the value of the lease liability recognized in the financial statements.

In accordance with the rules set by the standard, which grants exemptions in this regard, contracts underlying the so-called "Low-value assets" (for which the threshold was set at € 5 thousand) mainly consisting of mobile phone rental contracts, all leasing contracts with a contractual duration of 12 months or less (so-called "short term lease") it was decided not to apply the principle to the leasing of intangible assets (mainly represented by software leasing). For these contracts, the related fees are recognized in the income statement on accrual basis for the corresponding duration.

Quantitative information

With regard to the information on the rights of use acquired with the lease, please refer to Part B - Assets - Section 9 - Tangible assets - Item 90 of these notes to the consolidated accounts.

With regard to the information on the lease liabilities, please refer to Part B - Liabilities - Section 1 - Financial liabilities at amortized cost - Item 10 of these notes to the consolidated accounts.

Furthermore, with regard to the information on:

- interest expenses on leasing liabilities, please refer to Part C - Section 1 - Item 20;
- the other charges connected with the rights of use acquired with the lease, please refer to Part C - Section 14 - Net impairments / write-backs on property, plant and equipment - Item 210.

It should be noted that no gains and losses deriving from sale and leaseback transactions have been recorded, as well as income deriving from sub-lease transactions.

Part M – Leasing

The depreciation recognized for the year for right-of-use assets by class of underlying asset is shown below:

(Amounts in € thousand)

Assets	Depreciation 2023	Depreciation 2022
Right of use		
1. Property, plant and equipment	**(11,477)**	**(11,320)**
1.1 land	(85)	
1.2 buildings	(11,147)	(11,107)
1.3 office furniture and fittings		
1.4 electronic systems	(7)	
1.5 other	(238)	(213)

As of December 31st, 2023, there are no short-term leasing commitments for which the cost has not already been recognized in the income statement for the year 2023.

Section 2 - Lessor

Qualitative information

The Group has leasing operations, in its capacity as lessor, represented exclusively by lease contracts of the surface of a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11, classified as operating leases in the financial statements.

With reference to the ways in which the lessor manages the risk associated with the rights it maintain on the underlying assets, it should be noted that the contracts include clauses that prohibit the tenant from transferring the contract to third parties without the written consent of the lessor, periodic updates of the rent according to the ascertained variation of the ISTAT index for consumer prices for the families of workers and employees and a contractual expiry at the end of which, in the event of non-renewal where required, the lease contract ceases and the premises fall within the availability of the lessor.

Quantitative information

Payments due for operating leases have been recognized in the consolidated income statement as income. For more details, please refer to Part C - Section 16 - Other operating income and charges - Item 230 of these notes to the consolidated accounts.

1. Balance sheet and income statement information

The Group has not recognized leasing loans. As regards the activities granted under operating leasing, as previously described, the Group has leasing transactions in place as lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11.

The payments due for the operating lease have been recognized, on an accrual basis, in the consolidated income statement as income. For more details, please refer to that illustrated in Part C - Section 16 - Other operating expenses and income - Item 230 of these notes to the consolidated accounts.

2. Financial lease

2.1 Classification by time bands of the payments to be received and reconciliation with the loans for leasing entered in the assets

No information to report.

2.2 Other information

No information to report.

Part M – Leasing

3. Operating lease

3.1 Classification by time bands of the payments to be received

A maturity analysis of the undiscounted lease payments to be received is shown below. It should be noted that the payments refer to the contractual rents provided for in the lease contracts of part of the property owned by FinecoBank, which allow tenants to withdraw early in compliance with the notice provided in the contract.

(Amounts in € thousand)

Maturity ranges	Total 12/31/2023 Lease payments receivables	Total 12/31/2022 Lease payments receivables
Up to one year	815	753
Over one year up to 2 years	179	753
Over 2 years up to 3 years	45	167
Over 3 years up to 4 years	-	42
Over 4 years up to 5 years	-	-
For over 5 years	-	-
Total	**1,039**	**1,715**

3.2 Other information

As indicated above, the Group has leasing transactions in place as a lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11. For information on the methods with the which the Group manages the risk associated with the rights it retains on the underlying assets, please refer to the paragraph "Qualitative information" included in this section.

Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

ASSETS	Amounts as at	
	12/31/2023	12/31/2022
Cash and cash balances = item 10	2,266,550	1,469,713
Financial assets held for trading	14,109	16,926
20. Financial assets at fair value through profit or loss a) financial assets held for trading	*14,109*	*16,926*
Loans and receivables to banks	376,373	426,696
40. Financial assets at amortised cost a) loans and receivables to banks	*2,993,595*	*4,029,194*
less: Financial assets at amortised cost a) loans and receivables to banks - Debt securities	*(2,617,222)*	*(3,602,498)*
Loans and receivables to customers	6,198,541	6,445,713
40. Financial assets at amortised cost b) loans and receivables to customers	*24,946,614*	*27,443,107*
less: Financial assets at amortised cost b) loans and receivables to customers - Debt securities	*(18,748,073)*	*(20,997,394)*
Financial investments	21,403,026	24,634,034
20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	*7,010*	*5,552*
30. Financial asset at fair value through other comprehensive income	*29,069*	*26,872*
70. Equity investments	*1,652*	*1,718*
Financial assets at amortised cost a) loans and receivables to banks - Debt securities	*2,617,222*	*3,602,498*
Financial assets at amortised cost b) loans and receivables to customers - Debt securities	*18,748,073*	*20,997,394*
Hedging instruments	707,274	1,424,704
50. Hedging derivatives	*896,577*	*1,691,642*
60. Changes in fair value of portfolio hedged financial assets (+/-)	*(189,303)*	*(266,938)*
Property, plant and equipment = item 90	146,497	146,208
Goodwill = item 100. Intangible assets of which: goodwill	89,602	89,602
Other intangible assets = item 90 net of goodwill	34,465	36,787
Tax assets = item 110	49,997	46,577
Tax credits acquired	1,618,030	1,093,255
Other assets	411,236	438,670
130. Other assets	*2,029,266*	*1,531,925*
less: Tax credit acquired	*(1,618,030)*	*(1,093,255)*
Total assets	**33,315,700**	**36,268,885**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at	
	12/31/2023	12/31/2022
Deposits from banks	866,978	1,677,235
10. Financial liabilities at amortised cost a) deposits from banks	*866,978*	*1,677,235*
Deposits from customers	28,757,589	31,695,647
10. Passività finanziarie valutate al costo ammortizzato c) titoli in circolazione	*28,757,589*	*31,695,647*
Debt securities in issue	809,264	497,926
10. Financial liabilities at amortised cost c) debt securities in issue	*809,264*	*497,926*
Financial liabilities held for trading = item 20	6,997	4,574
Hedging instruments	28,712	(3,180)
40. Hedging derivatives	*59,988*	*63,752*
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	*(31,276)*	*(66,932)*
Tax liabilities = item 60	86,706	42,627
Other liabilities	564,778	443,659
80. Other liabilities	*421,234*	*334,352*
90. Provisions for employee severance pay	*4,378*	*3,942*
100. Provisions for risks and charges	*139,166*	*105,365*
Shareholders' equity	2,194,676	1,910,397
- capital and reserves	1,592,305	1,479,771
140. Equity instruments	*500,000*	*500,000*
150. Reserves	*890,106*	*778,211*
160. Share premium reserve	*1,934*	*1,934*
170. Share capital	*201,508*	*201,340*
180. Treasury shares (-)	*(1,243)*	*(1,714)*
- revaluation reserves	(6,730)	2,121
120. Revaluation reserves of which: financial assets at fair value through other comprehensive income	*(2,595)*	*(3,898)*
120. Revaluation reserves for actuarial net gains (losses) for defined benefit plans	*(4,136)*	*6,020*
120. Revaluation reserve of which: changes in valuation reserve pertaining to equity method investments	*1*	*(1)*
- Net profit = item 200	609,101	428,505
Total liabilities and Shareholders' equity	**33,315,700**	**36,268,885**

Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

INCOME STATEMENT	Year 2023	Year 2022
Financial margin	687,956	392,200
of which Net interest	687,748	342,796
30. Net interest margin	*683,788*	*337,549*
+ net commissions on Treasury securities lending	*3,960*	*5,247*
of which Profits from Treasury	208	49,404
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*208*	*49,095*
+ gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income (unimpaired)	*-*	*309*
Dividends and other income from equity investments	(68)	(276)
70. Dividend income and similar revenue	*226*	*206*
less: dividends from held-for-trading equity instruments included in item 70	*(178)*	*(165)*
less: dividends from from equity investments and equities mandatorily at fair value equity instruments included in item 70	*(48)*	*(41)*
less: dividends from from equity investments and equities mandatorily at fair value equity instruments included in item 70	*(68)*	*(276)*
Net fee and commission income	489,906	465,627
60. Net fee and commission income	*489,616*	*466,308*
+ other charges/income related to the application of the Fixed Operating Expenses (FOE) model	*4,250*	*4,566*
less: net commissions on Treasury securities lending	*(3,960)*	*(5,247)*
Net trading, hedging and fair value income	60,402	89,899
80. Gains (losses) on financial assets and liabilities held for trading	*66,273*	*77,966*
90. Fair value adjustments in hedge accounting	*(7,151)*	*12,207*
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	*1,054*	*(480)*
100. Gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income	*-*	*309*
less: gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income (unimpaired)	*-*	*(309)*
100. Gains (losses) on disposal or repurchase of: c) financial liabilites	*-*	*-*
+ dividends from held-for-trading equity instruments included in item 70	178	165
+ dividends from mandatorily at fair value equity instruments included in item 70	*48*	*41*
Net other expenses/income	(565)	156
230. Other net operating income	*165,694*	*139,717*
less: other net operating income - of which: recovery of expenses	*(163,603)*	*(136,830)*
less: adjustments of leasehold improvements	*1,594*	*1,835*
less: other charges/income related to the application of the Fixed Operating Expenses (FOE) model	*(4,250)*	*(4,566)*
100. Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost (unimpaired)	*208*	*49,095*
less: gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*(208)*	*(49,095)*
REVENUES	**1,237,631**	**947,606**
Staff expenses	(126,867)	(117,294)
190. Administrative expenses - a) staff expenses	*(126,867)*	*(117,294)*
Other administrative expenses	(307,918)	(273,486)
190. Administrative expenses - b) other administrative expenses	*(347,934)*	*(319,385)*
less: contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*41,610*	*47,734*
+ adjustments of leasehold improvements	*(1,594)*	*(1,835)*
Recovery of expenses	163,603	136,830
230. Other net operating income- of which: recovery of expenses	*163,603*	*136,830*
Impairment/write-backs on intangible and tangible assets	(27,139)	(26,865)
210. Impairment/write-backs on property, plant and equipment	*(21,144)*	*(20,258)*
220. Impairment/write-backs on intangible assets	*(5,995)*	*(6,607)*
Operating costs	**(298,321)**	**(280,815)**
OPERATING PROFIT (LOSS)	**939,310**	**666,791**
Net impairment losses on loans and provisions for guarantees and commitments	(3,596)	(3,115)
130. Impairment losses/writebacks on: a) financial assets at amortised cost	*(3,098)*	*(5,184)*
less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*(271)*	*2,093*
130. Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income	*-*	*(2)*
less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*-*	*2*
140. Profit / loss from contract changes without cancellation	*2*	*(1)*
200. Net provisions for risks and charges a) provision for credit risk of commitments and financial guarantees given	*(229)*	*(23)*
NET OPERATING PROFIT (LOSS)	**935,714**	**663,676**
Other charges and provisions	(63,587)	(57,762)
200. Net provisions for risks and charges b) other net provision	*(21,977)*	*(10,028)*
+ contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*(41,610)*	*(47,734)*
Net income from investments	111	(1,552)
+ Impairment losses/writebacks on: afinancial assets at amortised cost - debt securities	*271*	*(2,093)*
+ Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*-*	*(2)*
250. Profit (loss) on equity investments	*(263)*	*(276)*
less: writebacks (write-downs) of investments accounted for using the equity method	*68*	*276*
280. Gains (losses) on disposal of investments	*35*	*543*
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**872,238**	**604,362**
Income tax for the year	(263,137)	(175,857)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**609,101**	**428,505**
PROFIT (LOSS) FOR THE YEAR	**609,101**	**428,505**

Certification of consolidated annual Financial Statements pursuant to article 81-ter of Consob regulation no. 11971 of May 14, 1999 and subsequent amendments

1. The undersigned, Alessandro Foti, as Managing Director and General Manager of FinecoBank S.p.A., and Lorena Pelliciari, as Nominated Official in charge of drawing up company accounts of FinecoBank S.p.A, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of February 24th, 1998, do hereby certify:

- the adequacy in relation to the Company's features and
- the actual application

of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the year ended December 31st, 2023.

2. The adequacy of the administrative and accounting procedures employed to draw up the consolidated financial statements for the year has been evaluated by applying a model defined, in accordance with the "Internal Control - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which are international commonly accepted standards for the internal control system and for financial reporting.

3. The undersigned also certify that:

3.1 The consolidated financial statements:

a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of July 19th, 2002;

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

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

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

Milan, March 12th, 2024

FinecoBank S.p.A.
The Chief Executive Officer and
General Manager
Alessandro Foti

FinecoBank S.p.A.
The Manager Responsible for Preparing
the Company's Financial Reports
Lorena Pelliciari

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(The accompanying translated consolidated financial statements of the FinecoBank Group constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of FinecoBank S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the FinecoBank Group (the "group"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the FinecoBank Group as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of FinecoBank S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Measurement of provisions for risks and charges

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph A.2.10 "Provisions for risks and charges"

Notes to the consolidated financial statements "Part B - Consolidated Balance Sheet – Liabilities": section 10 "Provisions for risks and charges"

Notes to the consolidated financial statements "Part C - Consolidated Income Statement": section 13.3 "Net provisions to other provisions for risks and charges: breakdown"

Notes to the consolidated financial statements "Part E - Information on Risks and relating hedging policies": section 1.5 "Operational risks", paragraph B. "Risks arising from significant legal disputes"

Key audit matter	Audit procedures addressing the key audit matter
The group's consolidated financial statements at 31 December 2023 include provisions for risks and charges of €139.2 million. These include €27.3 million relating to pending legal and tax disputes, specifically €3.5 million relating to tax disputes (fines and interest) and €23,8 million relating to legal disputes. The latter are customers' complaints and claims for damages due to unlawful conduct by the group's financial advisors, pending disputes with former financial advisors and other ongoing in-court and out-of-court disputes with customers relating to the group's ordinary banking activities. Measuring provisions for risks and charges for pending disputes is a complex activity, with a high degree of uncertainty, and entails directors' estimates about the outcome of the dispute, the risk of losing and the timing for its settlement. For the above reasons, we believe that measuring provisions for risks and charges is a key audit matter. .	Our audit procedures included: • understanding the process for the measurement of the provisions for risks and charges, assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; • analysing the discrepancies between past years' estimates of the provisions for risks and charges and actual figures resulting from the subsequent settlement of disputes, in order to check the accuracy of the estimation process; • analysing relevant documentation, including the complaints book and the internal control departments' reports; • sending written requests for information to the legal advisors assisting the parent about the assessment of the risk of losing pending disputes and the quantification of the related liability and checking the consistency of the information obtained with the elements considered by the directors to measure the other provisions for risks and charges; • analysing the reasonableness of the assumptions used to measure the provisions for risks and charges relating to the main disputes through discussions with the relevant internal departments and analysis of the supporting documentation; • assessing the appropriateness of the disclosures about the other provisions for risks and charges.

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the consolidated financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost"

Notes to the consolidated financial statements "Part B - Consolidated Balance Sheet - Assets": section 4 "Financial assets at amortised cost"

Notes to the consolidated financial statements "Part C - Consolidated Income Statement": section 8 "Impairment losses/writebacks"

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers is one of the group's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €24,946.6 million at 31 December 2023 (including loans of €6,198.5 million and debt instruments of €18,748.1 million), accounting for 74.9% of total assets. Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €3.1 million. For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the parent's customers operate. The complexity of the directors' estimation process has increased as a result of the geopolitical uncertainties caused by the conflict in Ukraine and the persisting Covid-19 emergency in 2023. These uncertainties have severely worsened current economic conditions and the outlook for future macroeconomic scenarios and have had a strong impact on the energy market, supply chains, inflationary pressure and its effect on monetary policies, leading central banks to raise interest rates in the main economies. This required the directors to revisit the valuation processes and methods. For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter.	Our audit procedures included: • gaining an understanding of the parent's processes and IT environment in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; • assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; • analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging); • analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein, as well as the adjustments made as a result of the financial effects of the geopolitical situation caused by the conflict in Ukraine and the persisting Covid-19 pandemic. We carried out these procedures with the assistance of experts of the KPMG network; • selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models; • selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; • analysing the significant changes in the loan and receivable categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments;

Key audit matter	Audit procedures addressing the key audit matter
	• assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets measured at amortised cost.

Revenue recognition – recognition of fee and commission income (IFRS 15)

Notes to the consolidated financial statements "Part C - Consolidated Income Statement": section 2.1 "Fee and commission income: breakdown"

Key audit matter	Audit procedures addressing the key audit matter
In accordance with IFRS 15: Revenue from contracts with customers, fee and commission income is recognised in profit or loss based on when or as the performance obligation identified in a contract is satisfied. Specifically, fees and commissions for services and other income are recognised in profit or loss: • at a point in time, when an entity satisfies the performance obligation by transferring a promised good or service to a customer; • over time, as an entity satisfies the performance obligation by transferring a promised good or service to a customer. If the consideration promised in a contract includes a variable amount, the group estimates the amount of consideration to which it will most likely be entitled. It estimates the variable amount by assessing all relevant facts and circumstances, based on the type of service provided and, especially, on whether it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. We have identified the risk of recognising revenue (fee and commission income) not pertaining to the year or not actually realised. For the above reasons, we believe that the recognition of fee and commission income is a key audit matter.	Our audit procedures included: • gaining an understanding of the parent's processes and IT environment in relation to the estimation of fee and commission income; • analysing the processes and controls implemented by the parent, including by involving our IT specialists; • assessing the appropriateness of the disclosures about fee and commission income.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 28 April 2021, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2022 to 31 December 2030.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 202j3 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2023 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Due to certain technical limitations, some information included in the notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's reports on operations and on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of FinecoBank S.p.A. are responsible for the preparation of a consolidated non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such consolidated non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 15 March 2024

KPMG S.p.A.

(signed on the original)

Roberto Spiller
Director of Audit

Balance Sheet

(Amounts in €)

Assets	12/31/2023	12/31/2022
10. Cash and cash balances	2,249,361,045	1,438,427,475
20. Financial assets at fair value through profit and loss	20,190,605	22,034,006
a) financial assets held for trading	14,109,598	16,926,125
c) other financial assets mandatorily at fair value	6,081,007	5,107,881
30. Financial assets at fair value through other comprehensive income	29,069,167	26,871,867
40. Financial assets at amortised cost	27,892,519,456	31,442,711,914
a) loans and receivables to banks	2,968,493,839	4,019,230,495
b) loans and receivables to customers	24,924,025,617	27,423,481,419
50. Hedging derivatives	896,576,945	1,691,642,395
60. Changes in fair value of portfolio hedged financial assets (+/-)	(189,302,895)	(266,937,532)
70. Equity investments	4,652,258	4,717,944
80. Tangible assets	144,768,101	144,102,403
90. Intangible assets	124,066,951	126,336,179
- goodwill	89,601,768	89,601,768
100. Tax assets	49,748,672	46,466,550
b) deferred tax assets	49,748,672	46,466,550
120. Other assets	2,029,466,001	1,531,915,613
Total assets	**33,251,116,306**	**36,208,288,814**

Balance Sheet

(Amounts in €)

Liabilities and Shareholders' equity	12/31/2023	12/31/2022
10. Financial liabilities at amortized cost	30,420,242,163	33,855,017,916
a) deposits from banks	866,978,421	1,677,234,836
b) deposits from customers	28,743,999,484	31,679,856,833
c) debt securities in issue	809,264,258	497,926,247
20. Financial liabilities held for trading	6,996,038	4,574,499
40. Hedging derivatives	59,988,318	63,752,044
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	(31,276,214)	(66,931,573)
60. Tax liabilities	85,560,151	41,864,448
a) current tax liabilities	85,560,151	41,864,448
80. Other liabilities	410,675,167	324,992,786
90. Provision for employee severance pay	4,377,426	3,941,852
100. Provisions for risks and charges:	139,165,395	105,365,432
a) commitments and guarantees given	303,508	74,433
c) other provisions for risks and charges	138,861,887	105,290,999
110. Revaluation reserves	(6,729,779)	2,121,634
130. Equity instruments	500,000,000	500,000,000
140. Reserves	855,420,797	750,045,402
150. Share premium	1,934,113	1,934,113
160. Issued capital	201,508,440	201,339,554
170. Treasury shares (-)	(1,243,250)	(1,713,868)
180. Net Profit (Loss) for the year (+/-)	604,497,541	421,984,575
Total liabilities and Shareholders' Equity	**33,251,116,306**	**36,208,288,814**

Income statement

(Amounts in €)

Item		2023	2022
10.	Interest income and similar revenues	777,092,014	357,175,413
	of which: interest income calculated using the effective interest method	514,267,948	344,361,908
20.	Interest expenses and similar charges	(94,562,602)	(19,411,748)
30.	**Net interest margin**	**682,529,412**	**337,763,665**
40.	Fee and commission income	757,064,801	737,313,448
50.	Fee and commission expenses	(418,868,552)	(405,455,208)
60.	**Net fee and commission**	**338,196,249**	**331,858,240**
70.	Dividends and similar revenues	113,918,808	97,407,443
80.	Net income financial assets and liabilities held for trading	66,272,344	77,968,230
90.	Fair value adjustment in hedge accounting	(7,150,878)	12,206,743
100.	Gains (Losses) on disposal or repurchase of:	207,727	49,404,721
	a) financial assets at amortised cost	207,727	49,095,285
	b) financial assets at fair value through other comprehensive income	-	309,436
110.	Net gains (losses) on financial assets/liabilities designated at fair value through profit or loss:	1,002,434	(328,208)
	b) other financial assets mandatorily at fair value	1,002,434	(328,208)
120.	**Operating income**	**1,194,976,096**	**906,280,834**
130.	Net impairment/write-backs for credit risk of:	(3,096,336)	(5,166,849)
	a) financial assets at amortised cost	(3,096,347)	(5,164,928)
	b) financial assets at fair value through other comprehensive income	11	(1,921)
140.	Profit/loss from contract changes without cancellation	2,093	(1,287)
150.	**Net profit from financial activities**	**1,191,881,853**	**901,112,698**
160.	Administrative costs:	(454,842,323)	(418,358,835)
	a) payroll costs	(115,310,542)	(107,056,626)
	b) other administrative costs	(339,531,781)	(311,302,209)
170.	Net provisions for risks and charges	(22,206,170)	(10,051,077)
	a) commitments and guarantees issued	(229,076)	(22,738)
	b) other net provisions	(21,977,094)	(10,028,339)
180.	Impairment on tangible assets	(20,558,884)	(19,742,182)
190.	Impairment on intangible assets	(5,942,100)	(6,553,901)
200.	Other operating income/charges	162,513,563	136,218,250
210.	**Operating costs**	**(341,035,914)**	**(318,487,745)**
220.	Profit (Loss) on equity investments	(262,776)	(275,576)
250.	Gains and losses on disposals on investments	34,948	542,697
260.	**Total profit or loss before tax from continuing operations tax expense related to profit or loss from continuing operations**	**850,618,111**	**582,892,074**
270.	Tax expense (income) related to profit or loss from continuing operations	(246,120,570)	(160,907,499)
280.	**Total profit (loss) after tax from continuing operations**	**604,497,541**	**421,984,575**
300.	**Profit (loss) for the year**	**604,497,541**	**421,984,575**

	2023	2022
Earnings per share (euro)	0.99	0.69
Diluted earnings per share (euro)	0.99	0.69

Note:

For further information on "Earnings per share" and "Diluted earnings per share" please see notes to the accounts, Part C - Information on the income statement, Section 22.

Statement of comprehensive income

(Amounts in €)

Item		Total 2023	Total 2022
10.	Net Profit (Loss) for the year	604,497,541	421,984,575
	Other income components net of taxes without reversal to the income statement	**(10,145,951)**	**12,306,166**
20.	Equity securities designated at fair value with an impact on total income	-	(137)
70.	Defined benefit plans	(10,156,132)	12,307,234
90.	Valuation reserves from investments accounted for using the equity method	10,181	(931)
	Other income components net of taxes with reversal to the income statement	**1,294,401**	**(4,307,725)**
140.	Financial assets (no equity securities) measured at fair value with an impact on total profitability	1,302,212	(4,307,725)
160.	Valutation reserves from investments accounted for using the equity method	(7,811)	-
170.	**Total other income components after tax**	**(8,851,550)**	**7,998,441**
180.	**Overall profitability (Item 10 + 170)**	**595,645,991**	**429,983,016**

Statement of changes in shareholders' equity

Statement of changes in shareholders' equity at 12/31/2023

(Amounts in €)

	Balance as at 12/31/2022	Change in opening balance	Balance as at 01/01/2023	Allocation of profit from previous year		Change during the year									Shareholders' equity as at 12/31/2023
							Shareholders' equity transactions								
				Reserves	Dividends and other distributions	Changes in reserves	Issues of new shares	Purchase of own shares	Distributions of extraordinary dividends	Changes in equity instruments	Own share derivatives	Stock options	Changes in ownership interests	Comprehensive income 2023	
Share capital:															
- ordinary shares	201,339,554	-	201,339,554	-	-	-	168,886	-	-	-	-	-	-	-	201,508,440
- other shares		-		-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	1,934,113	-	1,934,113	-	-	-	-	-	-	-	-	-	-	-	1,934,113
Reserves:		-													
- from profits	708,614,620	-	708,614,620	122,775,074		(21,573,225)	-	-	-	-	-	(168,886)	-	-	809,647,583
- others	41,430,782	-	41,430,782	-	-	-	-	-	-	-	-	4,342,432	-	-	45,773,214
Revaluation reserves	2,121,634	-	2,121,634	-	-	137	-	-	-	-	-	-	-	(8,851,550)	(6,729,779)
Equity instruments	500,000,000	-	500,000,000	-	-	-	-	-	-	-	-	-	-	-	500,000,000
Treasury shares	(1,713,868)	-	(1,713,868)	-	-	-	990,029	(519,411)	-	-	-	-	-	-	(1,243,250)
Profit (loss) for the year	421,984,575	-	421,984,575	(122,775,074)	(299,209,501)	-	-	-	-	-	-	-	-	604,497,541	604,497,541
Shareholders' Equity	1,875,711,410	-	1,875,711,410	-	(299,209,501)	(21,573,088)	1,158,915	(519,411)	-	-	-	4,173,546	-	595,645,991	2,155,387,862

The Shareholders' Meeting of April 27th, 2023 approved the distribution of the unit dividend of € 0.49, totalling € 299,209,501.15 as proposed by the Board of Directors on March 14th, 2023.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.
The column 'Changes in Reserves' includes coupons paid on Capital Instruments, net of related taxes, and transaction costs directly attributable to the issue of new ordinary shares during the period, net of related taxes, as well as the portion of dividends not distributed in respect of treasury shares held by the Bank at the record date.

Statement of changes in shareholders' equity at 12/31/2022

(Amounts in €)

	Balance as at 12/31/2021	Change in opening balance	Balance as at 01/01/2022	Allocation of profit from previous year		Change during the year									Shareholders' equity as at 12/31/2022
							Shareholders' equity transactions								
				Reserves	Dividends and other distributions	Changes in reserves	Issues of new shares	Purchase of own shares	Distributions of extraordinary dividends	Changes in equity instruments	Own share derivatives	Stock options	Changes in ownership interests	Comprehensive income 2022	
Share capital:															
- ordinary shares	201,266,924	-	201,266,924	-	-	-	72,630	-	-	-	-	-	-	-	201,339,554
- other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium reserve	1,934,113	-	1,934,113	-	-	-	-	-	-	-	-	-	-	-	1,934,113
Reserves:															
- from profits	597,754,112	-	597,754,112	130,654,078		(19,720,940)	-	-	-	-	-	(72,630)	-	-	708,614,620
- others	36,392,274	-	36,392,274	-	-	-	-	-	-	-	-	5,038,508	-	-	41,430,782
Revaluation reserves	(5,876,807)	-	(5,876,807)	-	-	-	-	-	-	-	-	-	-	7,998,441	2,121,634
Equity instruments	500,000,000	-	500,000,000	-	-	-	-	-	-	-	-	-	-	-	500,000,000
Treasury shares	(1,440,090)	-	(1,440,090)	-	-	-	575,858	(849,636)	-	-	-	-	-	-	(1,713,868)
Profit (loss) for the year	368,600,823	-	368,600,823	(130,654,078)	(237,946,745)	-	-	-	-	-	-	-	-	421,984,575	421,984,575
Shareholders' Equity	1,698,631,349	-	1,698,631,349	-	(237,946,745)	(19,720,940)	648,488	(849,636)	-	-	-	4,965,878	-	429,983,016	1,875,711,410

The Shareholders' Meeting of April 28th, 2022 approved the distribution of a dividend per unit of € 0.39, as proposed by the Board of Directors on February 9th, 2022.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.
The column 'Changes in Reserves' includes coupons paid on Capital Instruments, net of related taxes, and transaction costs directly attributable to the issue of new ordinary shares during the period, net of related taxes, as well as the portion of dividends not distributed in respect of treasury shares held by the Bank at the record date.

Cash flows statement

(Amounts in € thousand)

Item	Amount	
	2023	2022
A. OPERATING ACTIVITIES		
1. Operations	**710,325,505**	**492,194,744**
- profit (loss) for the year (+/-)	604,497,541	421,984,575
- gains/losses on financial assets held for trading and on assets designated at fair value through profit and loss (-/+)	(691,157)	(513,207)
- gains/losses on hedging operations (+/-)	7,078,578	9,426,075
- net write-downs/write-backs due to impairment (+/-)	5,660,929	7,321,021
- net write-offs/write-backs on tangible and intangible assets (+/-)	26,500,985	26,296,083
- provisions and other incomes/expenses (+/-)	36,896,404	23,775,619
- unpaid duties, taxes and tax credits (+/-)	82,782,299	2,403,299
- write-downs/write-backs after tax on discontinued operations (+/-)	-	-
- other adjustments (+/-)	(52,400,074)	1,501,279
2. Liquidity generated/absorbed by financial assets	**3,741,885,190**	**(2,584,385,035)**
- financial assets held for trading	1,837,584	4,009,838
- financial assets at fair value	-	-
- other assets mandatorly at fair value	32,886	421,639
- financial assets at fair value through other comprehensive income	-	4,719,583
- financial assets at amortised cost	3,883,312,615	(2,054,402,306)
- other assets	(143,297,895)	(539,133,789)
3. Liquidity generated/absorbed by financial liabilities	**(3,414,369,336)**	**2,253,687,658**
- financial liabilities at amortised cost	(3,458,476,022)	2,277,489,639
- financial liabilities held for trading	3,085,157	(133,033)
- financial liabilities designated at fair value	-	-
- other liabilities	41,021,529	(23,668,948)
Net cash flows from/used in operating activities	**1,037,841,359**	**161,497,367**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**113,731,668**	**98,879,002**
- sales of equity investments	-	-
- dividends received from equity investments	113,693,265	97,201,681
- sales of tangible assets	38,403	1,677,321
- sales of intangible assets	-	-
- sales of company branches	-	-
2. Liquidity absorbed by	**(15,552,663)**	**(13,576,509)**
- purchases of equity investments	(194,720)	(700,001)
- purchases of tangible assets	(11,685,071)	(8,566,634)
- purchases of intangible assets	(3,672,872)	(4,309,874)
- purchase of company branches	-	-
Net cash flows from/used in investing activities	**98,179,005**	**85,302,493**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	639,504	(201,148)
- issue/purchase of equity instruments	-	-
- distribution of dividends and other scopes	(321,941,504)	(258,316,173)
Net cash flows from/used in financing activities	**(321,302,000)**	**(258,517,321)**
NET CASH FLOWS FROM/USED DURING THE YEAR	**814,718,364**	**(11,717,461)**

Cash flows statement

RECONCILIATION

(Amounts in € thousand)

Item	Amount	
	2023	2022
Cash and cash equivalents at the beginning of the year	1,438,464,910	1,442,823,550
Net liquidity generated/absorbed during the year	814,718,364	(11,717,461)
Cash and cash equivalents: effect of exchange rate variations	(4,122,998)	7,358,821
Cash and cash equivalents at the end of the year	2,249,060,276	1,438,464,910

Key
(+) generated
(-) used

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

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

Part A – Accounting policies

A.1 General

Section 1 - Statement of Compliance with IFRS

In implementation of Legislative Decree no. 38 of February 28th, 2005, these Financial Reports and Accounts of FinecoBank Banca Fineco S.p.A. (hereinafter, FinecoBank or Fineco or the Bank) have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission, pursuant to EU Regulation 1606/2002 of July 19th, 2002 and applicable to financial reports for the periods starting on or after January 1st, 2023.

They are an integral part of the Annual Financial Report as required by art. 154-ter, paragraph 1 of the Consolidated Finance Act (TUF, Italian Legislative Decree no. 58 of February 24, 1998).

In its circular 262 of December 22nd, 2005 as amended, the Bank of Italy laid down the formats for the financial statements and the notes to the accounts of banks and regulated financial companies that are parents of banking groups, which have been used to prepare these Financial Statements. On November 17th, 2022, the 8th update of aforementioned Circular was published, which takes into account the new international accounting standard IFRS 17 “Insurance Contracts” - which replaces the accounting standard on insurance contracts IFRS 4 as of January 1st, 2023 - and the consequent changes introduced in other international accounting standards, including IAS 1 “Presentation of Financial Statements” and IFRS 7 “Financial Instruments: Disclosures”. The update, which consists of a complete revision of the Circular, applies from the financial statements closed or ongoing as at December 31st, 2023.

Section 2 - Preparation criteria

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

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

The financial statements comprise the Balance Sheet, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement (compiled using the indirect method), and these Notes to the accounts, together with the Directors' Report on Operations (please refer to “Consolidated Report on Operations”) and the Annexes. Any discrepancies between the figures shown in the financial statements and the Notes to the accounts is due to roundings.

The Balance Sheet and the Income Statement are compared with the corresponding statements for the previous year.

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

The statement of changes in shareholders' equity shows the composition of and changes in shareholders' equity during the year of the financial statements and the previous year.

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

The figures in the financial statements are provided in euros and in thousands of euros in the Notes to the Accounts, unless otherwise indicated and have been prepared with reference to the instructions on banks' financial statements set out in the Bank of Italy's Circular 262 of December 22nd, 2005 and subsequent updates. In accordance with the Bank of Italy Circular 262/2005, items in the Balance Sheet, Income Statement and Statement of Comprehensive Income for which there is no significant information to be disclosed for the reporting period and the previous year, are not provided. In addition, the tables in the Notes to the Accounts that do not have any significant information to be disclosed are not shown either for the reporting period or the previous year.

Part A – Accounting policies

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

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

Lastly, pursuant to Art. 123-bis par. 3 of Consolidated Finance Act, as noted in the "Other Information" section of the Consolidated Report on Operations, the Report on Corporate Governance and Ownership Structures is available in the "Governance" section of the FinecoBank website.

As previously mentioned, FinecoBank prepares a single document called “Annual report and accounts” replacing the two documents relating to the Consolidated Financial Report and Accounts of the FinecoBank Group and the Financial Report and Accounts of FinecoBank Banca Fineco S.p.A.. The integration of the contents of the two Financial Statements documents into a single one leads to the elimination of duplications of some of qualitative information presented in both documents and, in order to facilitate the reading, the adoption of a system of cross-references between the chapters dedicated to the consolidated financial statements and the company ones; pursuant to these references the contents of the each referenced paragraph is entirely reported in the paragraph containing the reference. For further details on this, please refer to the Annex “Summary of references to qualitative disclosures in the consolidated financial statements”.

Section 3 - Subsequent events

No significant events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Accounts as at December 31st, 2023.

The Separate Financial Statements at December 31st, 2023 were approved by the Board of Directors of March 12th, 2024, which authorised their publication also pursuant to IAS10.

Section 4 - Other Matters

During 2023, the following accounting standards, amendments and interpretations, approved by the European Commission, become effective for reporting periods beginning on or after January 1, 2023:

- IFRS 17 - Insurance Contracts (EU Reg. 2021/2036);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (EU Reg. 2022/357);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (EU Reg. 2022/357);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (UE Reg. 2022/1392);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (EU Reg. 2022/1491);
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (EU Reg. 2023/2468).

Where applicable, these accounting standards, amendments and interpretations had no relevant impact on the financial statements as at December 31st, 2023.

In addition, at December 31st, 2023, the following accounting standards had been endorsed and are applicable for annual periods beginning after 2023:

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (EU Reg.2023/2579);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current - Deferral of Effective Date - Non-current Liabilities with Covenants (January 2020, July 2020 and October 2022, respectively) (EU Reg. 2023/2822).

As at December 31st, 2023, the IASB had issued the following standards and accounting interpretations or revisions thereof, the application of which is, however, still subject to the completion of the endorsement process by the competent bodies of the European Union, which is still underway:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (May 2023);
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (August 2023).

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

Part A – Accounting policies

It should also be noted that on 25 October 2023, ESMA published Public Statement ESMA32-193237008-1793 'European common enforcement priorities for 2023 annual financial reports', the annual public statement in which it set out the common European enforcement priorities for the preparation of the 2023 annual financial reports of issuers admitted to trading on EEA regulated markets ('European Economic Agreement'). In particular, ESMA lists the following recommendations that issuers should consider, according to their relevance and materiality, when preparing their annual financial reports:

- Climate-related issues. In this context, ESMA draws attention to the following aspects:
  - Consistency between IFRS financial statements and non-financial information, to the extent that the effects of these issues are material;
  - Accounting for emissions trading schemes and renewable energy certificates. Issuers should provide information on the accounting policies used for the recognition, measurement and presentation of emissions trading schemes and renewable energy certificates;
  - Impairment of non-financial assets as a result of measures to prevent or mitigate climate-related risks. Issuers should consider risks arising from climate-related issues when assessing the existence of impairments of non-financial assets;
  - Transparency on the financial impacts and accounting treatment applied to power purchase agreements;
  - Specific considerations for financial institutions, in particular by providing information on their engagement in green financing.
- Macroeconomic context. In this context, ESMA draws attention to the following aspects:
  - Rising interest rates and impact on (re)financing. ESMA notes that the impact of recent interest rate hikes on balance sheets may be pronounced for issuers that are heavily dependent on debt financing. In addition, ESMA recalls the importance of disclosures explaining how changes in the macroeconomic environment affect risk exposures, as interest rate risk arises not only on interest-bearing financial instruments recognised on the balance sheet, but also on some off-balance sheet financial instruments;
  - Liquidity risk. In recalling the quantitative and qualitative disclosure required by IFRS 7, ESMA notes that, in a scenario of volatile markets, liquidity risk may be increased by additional margin calls on derivative contracts, therefore, issuers should provide qualitative and quantitative disclosures of their collateral arrangements to explain how liquidity risk is managed. With regard to the disclosure on risk concentration required by IFRS 7, ESMA also recalls that, in the current environment, financial institutions should assess and provide disclosure on their exposure to risk concentration with respect to both assets (e.g. credit risk) and liabilities (e.g. customer deposits) and how they manage this risk;
  - Hedge accounting. ESMA requires issuers to provide (i) detailed information on the effectiveness of hedging relationships during and at the end of the reporting period and (ii) information on discontinued hedging relationships;
  - Fair Value measurement and disclosure. ESMA notes that in the current macroeconomic environment there may be an increased level of uncertainty in the determination of the fair value of (i) investment properties and (ii) financial instruments measured at amortised cost and expects issuers to provide the disclosures required by IFRS 13. With respect to the disclosure of financial instruments measured at amortised cost, ESMA, in light of the current macroeconomic conditions, urges issuers to be particularly careful, as issuers, especially those having difficulties meeting their financial obligations, may need to sell financial assets to generate additional liquidity.

ESMA also recalls some general aspects that issuers must assess, in particular:

- Insurance Contracts. In the first year of application of the new requirements under IFRS 17 Insurance Contracts, ESMA reiterates its call for transparency in the implementation of this standard;
- Amendments to IAS 12 - Model Rules Second Pillar of International Tax Reform. For periods in which Pillar 2 legislation is (substantially) enacted but not yet effective, issuers should disclose this by providing known or reasonably estimable information to assist users of financial statements in understanding the issuer's exposure to Pillar 2 income taxes at the end of the reporting period;
- Sustainability reporting. As of 1 January 2024, the reporting requirements of the Corporate Sustainability Reporting Directive (CSRD) will become applicable for annual financial reports published in 2025. Although the relevant European Sustainability Reporting Standards (ESRS) are still in the legislative process following their adoption by the European Commission on 31 July 2023, it can generally be expected that issuers affected by the new requirements will likely face a significant learning curve in implementing the new requirements.

To the extent applicable, the aforementioned recommendations have been adopted for the purpose of preparing the Financial Statements as at 31 December 2023.

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

As described in the section "The Russian-Ukrainian conflict" reported in the Consolidated Report on Operations (to which we refer for more details), in 2023 there was no impact on the Group's economic and financial situation, and also from a forward-looking perspective there was no impact in terms of strategic orientation, objectives and business model.

Part A – Accounting policies

Risks and uncertainties related to the use of estimates

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

In the presentation of the financial statements at December 31st, 2023, estimates have been used to support the carrying amount of some of the valuation-based items, as required by the accounting standards and regulations described above. These estimates are largely based, as regards assets, on calculations of future recoverability of the values recognised in the accounts and as regards liabilities, on estimates of the probability of using resources to meet the Banks's obligations and on the amount of resources necessary to that end, according to the rules laid down in current legislation and standards. They have been made on the assumption of a going concern, on which basis these financial statements have been prepared, i.e. without contemplating the possibility of the forced sale of the estimated items. The processes adopted support the carrying amounts at December 31st, 2023. For some of the above items, the valuation is particularly complex given the uncertainty of the macroeconomic and market situation, characterised by significant levels of volatility in the financial parameters determining the valuation and continued high indicators of deterioration in credit quality, and, more generally, uncertainty and instability in the banking sector. For other items, the complexity and subjectivity of estimates is influenced by the intricacy of the underlying assumptions, the amount and variability of available information and the uncertainties connected with possible future outcomes of proceedings, disputes and litigation.

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

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

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

- fair value of financial instruments not listed in active markets;
- loans/debt securities and related adjustments and, in general, any other financial assets/liabilities. These include, but are not limited to, the risk of uncertainty in determining the parameters for a significant increase in credit risk, the inclusion of forward-looking factors, including macroeconomic factors, in determining PD and LGD, and the determination of future cash flows from impaired loans (for more details see the specific section "Impairment" set out in Part A - Accounting policies of the notes to the accounts);
- employee severance pay provision and other employee and personal financial advisor benefits;
- provisions for risks and charges, the quantification of which is estimated with reference to the amount of expenditure required to meet the obligations, taking into account the actual probability of having to use resources;
- the value in use of intangible assets with an indefinite life, represented by goodwill, trademarks and domains;
- deferred tax assets;
- tax liabilities;

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

For the purpose of calculating expected losses, FinecoBank uses specific models that leverage the parameters of Probability of Default ("PD") and Loss Given Default ("LGD") estimated conservatively and to which specific adjustments are made in order to ensure full consistency with the accounting regulations. The expected loss for institutional counterparties is calculated using the risk parameters provided by the external provider Moody's Analytics; for retail counterparties, since internal rating systems are not available, the PD and LGD curves are estimated by product type using models developed internally by the CRO Department (personal loans and mortgages) or proxies (other exposures). In order to implement the provisions of the IFRS 9 accounting standard, the parameters are adjusted through forward-looking Information (FLI), integrated with the development of specific scenarios, elaborated by the external supplier Moody's Analytics. In particular, the FLI component is determined by three macroeconomic scenarios, a baseline scenario, a positive scenario and an adverse scenario. The base scenario is weighted at 40% as it is considered the most probable one; the positive and adverse scenarios, on the other hand, are weighted at 30%, and represent alternative outcomes, respectively better and worse. The forward-looking factors used as at December 31st, 2023 include forward-looking information considering the possible outcomes of the geopolitical and economic crisis triggered by the conflict between Russia and Ukraine and the social and health conditions arising from any new COVID 19 variant infections.

Another key aspect required by the IFRS 9 accounting standard is represented by the need to detect at each reference date whether there has been a significant increase in credit risk (SICR) on each individual credit exposure, which in FinecoBank was implemented through a three-stage Approach. This model envisages a first stage (stage 1) which includes newly granted exposures and exposures which at the reporting date do not show a significant deterioration in credit risk with respect to the initial recognition, a second stage (stage 2) which includes exposures showing a significant deterioration in credit risk since the initial recognition, and a third stage (stage 3), which includes non-performing exposures (NPE). With reference to the institutional counterparties with which FinecoBank carries out credit business, the staging allocation method consist of comparing the rating at the reporting date and that recorded at the date on which the exposure was first recognized in the financial statements. The method, which makes use of the external rating assigned by the Moody's credit agency, is also applied to the securities purchased by the Bank as investments. With reference to retail counterparties, in the absence of internal ratings, the Bank makes use of the backstops envisaged by accounting rules and further internal evidence. In this context, all exposures showing more than 30 days past due, or for which additional information is available which suggests a deterioration in the creditworthiness of the counterparty, are classified in stage 2. For further details on the models and parameters used to measure IFRS 9 value adjustments, please refer to the information in Part E - Information on risks and related hedging policies - Section 2 - Credit risk management policies of these notes to the accounts.

During 2023, the Group did not experience a significant deterioration of the loan portfolio, either on the Bank's strategic investments or on the loans to ordinary customers. On institutional counterparties issuing financial instruments that the Bank has acquired as an investment, although there has been a deterioration in credit parameters mainly due to the application of forward-looking factors, no changes in creditworthiness such as to trigger a passage to stage 2 was recorded. Loan to ordinary customers, on the other hand, did not show significant increases in flows to stage 2 or stage 3. In fact, the latter are originated in application of a careful and prudent lending policy and are mainly backed by financial and real estate collateral. In the case of real estate mortgages, the average loan to value is, in fact, equal to approximately 50% and the credit facilities granted provide for the acquisition of guarantees with conservative margins.

With reference to the projections of future cash flows, assumptions and parameters used to assess the recoverability of the goodwill, brands and Fineco' domains recognised in the financial statements, it should be noted that the parameters and information used are significantly influenced by the macroeconomic market framework, which could undergo unforeseeable changes in light of the uncertainties highlighted above. In this regard, it should be noted that as at December 15th, 2022, the Board of Directors approved the procedure adopted to determine the value in use of goodwill, brands and domains (model, assumptions and parameters used). The results, approved by the Board of Directors on February 7th, 2023, confirm the sustainability of the goodwill recorded in the financial statements, in none of the hypothesised scenarios would an impairment loss arise, confirming a value in use significantly higher than the carrying amount. Also the sensitivity analyses carried out show that the impairment test would reach a break-even level assuming changes in the main parameters used in the valuation model that cannot be reasonably assumed at present. For further details on the impairment test and related sensitivity analyses, see Part B - Information on the balance sheet - Section 9 - Intangible assets of these notes to the accounts. On the same date, the Board of Directors approved the method for determining the value in use of the investment in Vorvel SIM S.p.A. - model, assumptions and parameters used-, the results of which show a recoverable value higher than the value recorded in the financial statements.

With regard to the property owned for functional use held by FinecoBank, in order to assess whether there are any indications that the assets may be impaired, the Bank, at the time of the closing of the financial statements as at December 31st, 2023, requested an appraisals from independent third party company from which no evidence emerged that would lead to the need for impairment pursuant to IAS 36.

With regard to actuarial gains/losses calculated in accordance with IAS 19R, particularly related to severance pay and FISC for financial advisors, the actuarial assumptions used reflect the current economic outlook.

There is also no uncertainty as to the recoverability of deferred tax assets. The amount of deferred tax assets recognised in the financial statements must be tested to verify that there is a likelihood of future taxable income allowing for their recovery. The test performed at the closing of the financial statements at December 31st, 2023 gave a positive result.

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

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

Going concern declaration

It is considered that there are no uncertainties regarding the Bank's ability to continue as a going concern in the foreseeable future, nor are there any uncertainties that would give rise to significant adjustments to book values within the next fiscal year. However, it cannot be ruled out that, by their nature, the assumptions reasonably made may not be confirmed in the actual future scenarios in which the Bank will operate. In making this assessment, moreover, key regulatory indicators, in terms of point data as of December 31st, 2023, relative buffers against minimum regulatory requirements and their evolution in the foreseeable future were considered.

The Directors have considered these circumstances and consider that it is reasonably certain that the Bank will continue to operate successfully in the foreseeable future and, therefore, in accordance with IAS 1, the financial statements for the year ended December 31st, 2023 have been prepared on a going concern basis.

Part A – Accounting policies

Contributions to guarantee and resolution funds

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

With regard to the contribution obligations under the above-mentioned directive, the Interbank Deposit Guarantee Fund announced that the total contribution due from the Consortium Members for 2023 was € 1,283,166 thousand (€ 1,406,386 thousand in 2022), broken down as follows:

- € 777,046 thousand as ordinary contributions to the endowment (€ 888,101 thousand in 2022);
- € 471,050 thousand as additional contribution (€ 471,248 thousand in 2022), aimed at gradually replenishing, until 2024, the part of the financial envelope that has been used in total for interventions (Statute, Art. 25),
- € 35,070 thousand as additional contribution (€ 47,037 thousand in 2022).

The Interbank Deposit Guarantee Fund also announced that, in order to reach the target level of 0.8% of protected deposits within the timeframe defined by law, the 2024 contribution will be called up, as an exception, no later than 2 July 2024.

The share of each consortium member was calculated based on their respective amount of protected deposits at September 30th, 2023 and risk-adjusted on the basis of the management indicators of the Fund's risk-based model for calculating the contributions, in accordance with Article 28, paragraph 2 of its Articles of Association.

The Bank's share for the year 2023, which is paid and recognised under item 160. "Administrative expenses b) other administrative expenses", and totaled € 35,030 thousand (€ 40,008 thousand in 2022), broken down as follows:

- € 21,213 thousand for the ordinary annual contribution (€ 25,264 thousand in 2022);
- € 12,859 thousand for the additional contribution (€ 13,406 thousand in 2022);
- € 957 thousand for the supplementary contribution (€ 1,338 thousand in 2022).

With European Directive 2014/59/EU, the Regulation on the Single Resolution Mechanism ("BRRD Directive" Regulation (EU) No. 806/2014 of the European Parliament and of the Council dated July 15th, 2014) established a framework for the recovery and resolution of crises in credit institutions, by setting up a single resolution committee and resolution fund for banks (Single Resolution Fund or SRF). The Directive entails a compulsory contribution mechanism allowing the collection by December 31st, 2023 of the target level of resources, corresponding to 1% of the covered deposits of all authorised institutions in the European territory. The accumulation period can be extended by a further four years if the cumulative disbursements from the contribution schemes have exceeded 0.5% of protected deposits. If, after the accumulation period, the available funds fall below the target level, the collection of contributions resumes until said level is reinstated. Additionally, having reached the target level for the first time and, in the event that the available funds fall to less than two thirds of the target level, these contributions are set at the level which allows the target level to be reached within six years. The contribution mechanism provides for ordinary annual contributions, with the aim of distributing the costs evenly over time for the contributing banks, and extraordinary additional contributions of up to three times the standard annual amount when the available funds are not sufficient to cover the losses and costs of interventions.

The Bank's share for the year 2023, which is paid and recognised under item 160. "Administrative expenses b) other administrative expenses" and amounted to € 6,581 thousand (€ 7,601 thousand in 2022).

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

Part A – Accounting policies

Single electronic reporting format for the preparation of annual financial reports

It should be noted that according to Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815, it is mandatory for issuers of securities listed on regulated markets in the European Union to prepare their annual financial reports in XHTML format and to mark IFRS consolidated financial statements using the XBRL marking language (also known as tagging language), based on the ESEF (European Single Electronic Format), approved by ESMA. The Group's Annual Financial Report, which has been prepared in XHTML format, includes both the consolidated and parent company financial statements, but only the consolidated financial statements and the consolidated notes to the accounts have been tagged on the basis of the minimum information required by the 2022 Regulation. The same can be found on FinecoBank's website (https://about.finecobank.com). For further information, please refer to the paragraph " Single electronic reporting format for the preparation of annual financial reports" in Part A - Accounting policies of the notes to the consolidated accounts.

Other information

The Financial statements as at December 31st, 2023 have been reviewed, pursuant to Italian Legislative Decree no. 39 of January 27, 2010 and Regulation (UE) 2014/537, by KPMG S.p.A. appointed as auditor of the Bank's accounts in implementation of the Shareholders' Meeting resolution of April 28th, 2021.

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

Part A – Accounting policies

A.2 The main items of the accounts

1 - Financial assets at fair value through profit and loss

a) Financial assets held for trading (HFT)

Please refer to the paragraph "a) Financial assets held for trading (HTF)" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, 1 - Financial assets at fair value with through profit and loss, which is deemed to be reported here in full.

b) Financial assets designated at fair value

Please refer to the paragraph "b) Financial assets designated at fair value)" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, 1 - Financial assets at fair value with through profit and loss, which is deemed to be reported here in full.

c) Other financial assets mandatorily at fair value

Please refer to the paragraph "c) Other financial assets mandatorily at fair value" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, 1 - Financial assets at fair value with through profit and loss, which is deemed to be reported here in full.

2 - Financial assets at fair value through comprehensive income

Please refer to the paragraph "2 - Financial assets at fair value through comprehensive income" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, which is deemed to be reported here in full.

3 - Financial assets at amortised cost

Please refer to the paragraph "3 - Financial assets at amortised cost" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, which is deemed to be reported here in full.

4 - Hedge Accounting

Please refer to the paragraph "4 - Hedge Accounting" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, which is deemed to be reported here in full.

5 - Equity Investments

Equity investments are equity instruments and consequently defined as financial instruments under IAS32. Investments in equity instruments made with the intention of establishing or maintaining a long-term operational relationship with the investee are strategic investments.

In particular, they are divided into subsidiaries, joint ventures and associates.

Subsidiaries

Entities, including structured entities, over which the Bank has direct or indirect control, are considered subsidiaries. Control over an entity entails the Bank's ability to exercise power to influence the variable returns to which the Group is exposed through its relationship with them.

In order to verify the existence of control, the Bank considers the following factors:

- the purpose and establishment of the investee in order to identify which are the entity's objectives, the activities that determine its returns and how these activities are governed;

- the power in order to understand whether the Bank has contractual rights that attribute the ability to govern the relevant activities; to this end only substantial rights that provide practical ability to govern are considered;
- the exposure to variability in returns and the ability to use the power held to influence the returns to which it is exposed;
- the existence of potential principal/agent relationships, as defined in IFRS 10.

If the relevant activities are governed through voting rights, the existence of control is verified considering the voting rights held, including the potential ones, and the existence of any shareholders' or other agreements which attribute the right to control the majority of the voting rights, to appoint the majority of the governing body or in any case the power to determine the entity's financial and operating policies.

Subsidiaries may also include any "structured entity" in which the voting rights are not significant for establishing control, including special purpose entities and investment funds.

In the case of structured entities, the existence of control is ascertained considering both the contractual rights that enable governance of the relevant activities of the entity (or those that contribute most to the results) and the Bank's exposure to the variability of returns deriving from these activities.

Investments in subsidiaries are stated at cost, including initial direct costs associated with the acquisition, and valued at cost, adjusted if necessary for impairment losses. To this end, if there is evidence that the value of an investment may have decreased, the carrying amount is compared to the recoverable amount of the investment. This recoverable amount is determined by reference to the value in use of the equity investment. The value in use is determined by means of valuation models generally used in financial practice and based on the discounting of the expected future cash flows from the investment (Discounted Cash Flow methodology).

If it is not possible to collect sufficient information, the value in use is considered to be the value of the company's shareholders' equity. If the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement under item 220 "Profit (Loss) on equity investments". If the reasons for the impairment loss are removed as a result of an event occurring after the impairment was recognised, the related reversal is recognised in the same item of the income statement.

Associates

An associate is an enterprise in which the investor exercises significant influence and which is neither a wholly-owned nor a jointly-controlled subsidiary.

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

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

IAS 27 - Separate Financial Statements, paragraph 10, requires investments in associates to be accounted for either at cost or in accordance with IFRS 9 or using the equity method.

The Bank has adopted the equity method, which consists of the initial recognition of the investment at acquisition cost, including initial direct costs associated with the acquisition, and its subsequent value adjustment based on the share of the investee's equity.

At the time of acquisition, the difference between the cost of the investment and the investor's share of the net fair value of the investee's identifiable assets and liabilities must be identified; if the difference is positive, it is recognised as goodwill and included in the carrying amount of the investment; if it is negative, it is recognised as income in determining the investor's share of the associate's profit or loss for the period in which the investment is acquired.

Subsequently, the carrying amount is increased or decreased by the investor's share of the investee's profit or loss realised after the date of acquisition and recognised in profit or loss in item 220. "Profit (Loss) on equity investments".

This share must be adjusted to take account of:

- the profits and losses resulting from the transactions of the associated company, in proportion to the percentage of the shareholding in that company;
- amortisation of depreciable assets based on their fair value at the date of acquisition and impairment losses on goodwill and any other non-cash items.

Dividends received are not recognised in the income statement but are treated as a mere equity transaction that reduces the carrying amount of the investment against the cash received.

Changes in valuation reserves of associates are shown separately in the statement of comprehensive income.

If the associate prepares its financial statements in foreign currency, the translation differences at the balance sheet date are recognised in a separate currency translation reserve to be reported in the statement of comprehensive income.

Part A – Accounting policies

If there is evidence that the value of an investment may have decreased, the recoverable amount of the investment is estimated, taking into account the present value of future cash flows that the investment may generate, including the final disposal value of the investment. If the recoverable amount is lower than the carrying amount, the difference is recognised in the income statement under item 220. "Profit (Loss) on equity investments". If the reasons for the impairment loss are removed as a result of an event occurring after the impairment was recognised, the related reversals are recognised in the same income statement item.

6 – Property, Plant and Equipment (Tangible Assets)

Please refer to the paragraph "6 – Property, Plant and Equipment (Tangible Assets)" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, which is deemed to be reported here in full.

7 - Intangible assets

Please refer to the paragraph "7 - Intangible assets" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, which is deemed to be reported here in full.

8 - Non-current assets classified as held for sale

Please refer to the paragraph "8 - Non-current assets classified as held for sale" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, which is deemed to be reported here in full.

9 - Current and Deferred Tax

Please refer to the paragraph "9 - Current and Deferred Tax" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, which is deemed to be reported here in full.

10 - Provisions for risks and charges

Provisions for risks and charges for commitments and guarantees given

Please refer to the paragraph "Provisions for risks and charges for commitments and guarantees given" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, 10 - Provisions for risks and charges, which is deemed to be reported here in full.

Provisions for retirement payments and similar obligations

Please refer to the paragraph "Provisions for retirement payments and similar obligations" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, 10 - Provisions for risks and charges, which is deemed to be reported here in full.

Other provisions

Please refer to the paragraph "Other provisions" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, 10 - Provisions for risks and charges, which is deemed to be reported here in full.

11 - Financial liabilities at amortised cost

Please refer to the paragraph "11 - Financial liabilities at amortised cost" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, which is deemed to be reported here in full.

Part A – Accounting policies

12 - Financial liabilities held for trading

Please refer to the paragraph "12 - Financial liabilities held for trading" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, which is deemed to be reported here in full.

13 - Financial liabilities designated at fair value

Please refer to the paragraph "13 - Financial liabilities designated at fair value" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, which is deemed to be reported here in full.

14 - Foreign currency transactions

Please refer to the paragraph "14 - Foreign currency transactions" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, which is deemed to be reported here in full.

15 - Other information

Please refer to the paragraph "16 – Other information" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A - Accounting Policies, A.2 – The main items of the accounts, which is deemed to be reported here in full.

A.3 Disclosure on transfers between portfolios of financial assets

Please refer to the paragraph "A.3 Disclosure on transfers between portfolios of financial assets" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part A – Accounting Policies, which is deemed to be reported here in full.

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

No data to report.

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

No data to report.

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

No data to report.

Part A – Accounting policies

A.4 Information on fair value

Qualitative information

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

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

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

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

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

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

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

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

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

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

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

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

Description of evaluation techniques

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

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

Fair Value Adjustments (FVAs)

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

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

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

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

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

Fixed Income Securities

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

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

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

Structured Financial Products

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

OTC derivatives

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

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

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

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

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

Equity Instruments and Derivative contracts listed on regulated markets

Equity Instruments and derivative contracts listed on regulated markets, including certificates issued by Fineco, shall be marked as to Level 1 when a quoted price is available on an active market. In this case, the closing price of the most liquid regulated market to which Fineco has access is considered. Equity securities, if listed, are classified as Level 2 if the volume of activity on the listing market is significantly reduced and as Level 3 when there are no listings or listings have been suspended indefinitely.

In order to provide a fair value for Visa INC preferred shares class "C" and class "A", the Group has adopted a model which converts the market price in dollars of Visa INC class "A" shares into euro and applies a discount factor. For the class “C” preferred shares valuation as at December 31st, 2023 such factor was determined equal to 9.79%, estimating as at December 31st, 2023, litigation risk at 3.79% and illiquidity risk at 6%. The litigation risk component has been extracted from an historical series of data provided by Visa INC, whereas the illiquidity risk component has been derived from the illiquidity of shares having limitations on their transferability for a certain period. Preferred shares class "A", on the other hand, are subject to a valuation method in the financial statements which does not provide for the application of a "Litigation Discount". Furthermore, since the latter are convertible into VISA-A Common shares and can subsequently be sold, the "Illiquidity Risk" component is lower than for Visa class "C", therefore the discount factor was estimated at 3.96%. The Visa INC preferred shares class "C" and “A” have been marked as level 3 of fair value hierarchy.

Investment Funds

The Bank may hold investments in investment funds publishing a Net Asset Value (NAV) per share and may include investments in funds managed by the Bank itself. Funds are generally classified as Level 1 when an official price is available on active markets. Funds shall be classified as Level 2 and Level 3 depending on the NAV availability, the transparency of the portfolio and any possible constraints/limitations.

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

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

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

Financial assets at amortised cost

For financial assets valued at amortised cost, whose fair value is not based on prices observed on active markets (level 1), the fair value is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued using simplified approaches, which however take into account their financial characteristics.

The fair value of on-demand or callable items, and of financial assets with a maturity of less than 12 months and operating receivables related to the provision of financial activities and services, is approximated equal to the balance sheet value; these assets are assigned the level 3 fair value hierarchy.

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

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

Financial liabilities at amortised cost

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

The fair value of on-demand financial liabilities with a maturity of less than 12 months is approximated equal to the balance sheet value; these liabilities are assigned the fair value hierarchy level 3.

Cash and cash balances

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

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

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

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

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

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

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

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

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

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

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

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

With reference to the sensitivity analysis of financial assets and liabilities measured at fair value on a recurring level 3 basis as required by IFRS 13, it should be noted that the Group does not hold significant positions in financial instruments classified in the fair value 3 hierarchy, with the exception of exposures in Visa INC class "C" and class "A" preferred shares, for which reference should be made to the section "Equity Securities and derivative contracts listed on regulated markets" above.

Part A – Accounting policies

A.4.3 Fair value hierarchy

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

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

In particular, three levels are considered:

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

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

A.4.4 Other information

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

Part A – Accounting policies

Quantitative information

A.4.5 Fair value hierarchy

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

(Amounts in € thousand)

Assets/Liabilities at fair value	12/31/2023			12/31/2022		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	10,279	3,856	6,055	13,115	3,868	5,051
a) financial assets held for trading	10,230	3,856	23	13,037	3,866	23
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	49	-	6,032	78	2	5,028
2. Financial assets at fair value through other comprehensive income	29,062	-	7	26,865	-	7
3. Hedging derivatives	-	896,577	-	-	1,691,642	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**39,341**	**900,433**	**6,062**	**39,980**	**1,695,510**	**5,058**
1. Financial liabilities held for trading	5,324	1,670	3	3,184	1,387	3
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	59,988	-	-	63,752	-
Total	**5,324**	**61,658**	**3**	**3,184**	**65,139**	**3**

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

During the current financial year, there were no significant transfers of financial assets between fair value hierarchy 1 and 2.

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

Impacts of the crisis unfolded by the Russia-Ukraine military conflict on fair value measurement

The crisis caused by the Russia-Ukraine military conflict had no impact in terms of fair value measurement. In particular, there were no reductions/decreases in prices quoted in active markets (Level 1) and/or observable inputs (Level 2), nor transfers between the various levels of the fair value hierarchy for financial instruments in which the Bank holds significant investments.

Part A – Accounting policies

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

(Amounts in € thousand)

	Financial assets measured at fair value with impact on the income statement				Financial assets at fair value through other comprehensive income	Hedging derivatives	Property, plant and equipment	Intangible assets
	Total	of which: a) financial assets held for trading	of which: b) financial assets designated at fair value	of which: c) other financial assets mandatorily at fair value				
1. Opening balance	**5,051**	**23**	**-**	**5,028**	**7**	**-**	**-**	**-**
2. Increases	**1,611**	**424**	**-**	**1,187**	**-**	**-**	**-**	**-**
2.1. Purchases	424	424	-	-	-	-	-	-
2.2. Profits recognised in:	1,187	-	-	1,187	-	-	-	-
2.2.1. Income Statement	1,187	-	-	1,187	-	-	-	-
- of which unrealised gains	1,187	-	-	1,187	-	-	-	-
2.2.2. Shareholders' Equity	-	X	X	X	-	-	-	-
2.3.Transfers from other levels	-	-	-	-	-	-	-	-
2.4. Other increases	-	-	-	-	-	-	-	-
3. Decreases	**(607)**	**(424)**	**-**	**(183)**	**-**	**-**	**-**	**-**
3.1. Sales	(424)	(424)	-	-	-	-	-	-
3.2. Redemptions	-	-	-	-	-	-	-	-
3.3. Losses recognised in:	(183)	-	-	(183)	-	-	-	-
3.3.1. Income Statement	(183)	-	-	(183)	-	-	-	-
- of which unrealised losses	(181)	-	-	(181)	-	-	-	-
3.3.2. Shareholders' Equity	-	X	X	X	-	-	-	-
3.4. Transfers to other levels	-	-	-	-	-	-	-	-
3.5. Other decreases	-	-	-	-	-	-	-	-
4. Closing balances	**6,055**	**23**	**-**	**6,032**	**7**	**-**	**-**	**-**

The sub-items 2.2.1 “Profits recognized in Income Statement” and 3.3.1 “Losses recognized in Income Statement” are included, where present, in consolidated income statement in the following items:

- Item 80: “Gains (losses) on financial assets and liabilities held for trading”;
- Item 110: “Gains (losses) on financial assets and liabilities at fair value through profit and loss”;
- Item 90: “Fair value adjustments in hedge accounting”.

The sub-items 2.2.2 “Profits recognised in Shareholders’ equity” and 3.3.2 “Losses recognised in Shareholders’ equity” arising from changes in fair value of “Financial assets at fair value through other comprehensive income” are recognised, if any, in equity item 110. "Revaluation reserves" of consolidated shareholder’s equity - except losses due to impairment and exchange rate gains or losses on monetary items (debt instruments) which are recognised under item 130. "Impairment losses/write backs on: b) financial assets at fair value through other comprehensive income" and item 80. "Gains (losses) on financial assets and liabilities held for trading" of the consolidated income statement, respectively - until the financial asset is sold, at which time cumulative gains and losses are recognised in consolidated profit or loss in item 100. "Gains (losses) on disposal or repurchase of: b) financial assets at fair value through other comprehensive income".

Part A – Accounting policies

A.4.5.3 Annual changes in financial liabilities measured at fair value level 3 on a recurring basis

(Amounts in € thousand)

	Financial liabilities held for trading	Financial liabilities at fair value through profit or loss	Hedging derivatives
1. Opening balance	**3**	**-**	**-**
2. Increases	**-**	**-**	**-**
2.1. Issues	-	-	-
2.2. Losses allocated to:	-	-	-
2.2.1. Income Statement	-	-	-
- of which capital losses	-	-	-
2.2.2. Shareholders' Equity	X	-	-
2.3. Trasferts from other levels	-	-	-
2.4. Other increases	-	-	-
3. Decreases	**-**	**-**	**-**
3.1. Reimbursements	-	-	-
3.2. Repurchases	-	-	-
3.3. Profits recognised in:	-	-	-
3.3.1. Income Statement	-	-	-
- of which capital gains	-	-	-
3.3.2. In equity	X	-	-
3.4. Trasferts to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balances	**3**	**-**	**-**

Part A – Accounting policies

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

(Amounts in € thousand)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	12/31/2023				12/31/2022			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets at amortised cost	27,892,519	19,409,985	837,063	6,446,521	31,442,711	20,844,398	1,962,312	6,677,906
2. Tangible assets held for investment								
3. Non-current assets and disposal groups classified as held for sale								
Total	**27,892,519**	**19,409,985**	**837,063**	**6,446,521**	**31,442,711**	**20,844,398**	**1,962,312**	**6,677,906**
1. Financial liabilities at amortised cost	30,420,242	777,598	31,513	29,577,968	33,855,018	428,061		33,357,092
2. Liabilities included in disposal group classified as held for sale								
Total	**30,420,242**	**777,598**	**31,513**	**29,577,968**	**33,855,018**	**428,061**	**-**	**33,357,092**

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

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

A.5 Day-one profit/loss

Financial instruments must be initially recognised at fair value.

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

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

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

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

Part B – Balance sheet

Assets

Section 1 - Cash and cash balances - Item 10

1.1 Cash and cash balances: breakdown

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
a) Cash	6	4
b) Current account and demand deposits to Central banks	1,933,510	1,197,698
c) Current accounts and demand deposits to banks	315,845	240,725
Total	**2,249,361**	**1,438,427**

The item “(b) Demand deposits with central banks” refers to the overnight deposits and to the liquidity deposited with Bank of Italy, net of the balance related to the minimum reserve requirement allocated for the current reporting period, which is represented in the item “Financial assets at amortized cost: loans and receivables with banks”.

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

Part B – Balance sheet

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

2.1 Financial assets held for trading: product breakdown

(Amounts in € thousand)

Items/Amounts	Total 12/31/2023			Total 12/31/2022		
	L1	L2	L3	L1	L2	L3
A. Balance sheet assets						
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	8,765	-	-	10,533	-	-
3. Units in investment funds	-	-	23	6	-	23
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**8,765**	**-**	**23**	**10,539**	**-**	**23**
B. Derivative instruments						
1. Financial derivatives	1,465	3,856	-	2,498	3,866	-
1.1 Trading	1,465	3,856	-	2,498	3,866	-
1.2 Linked to fair value option	-	-	-	-	-	-
1.3 Others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 Trading	-	-	-	-	-	-
2.2 Linked to fair value option	-	-	-	-	-	-
2.3 Others	-	-	-	-	-	-
Total (B)	**1,465**	**3,856**	**-**	**2,498**	**3,866**	**-**
Total (A+B)	**10,230**	**3,856**	**23**	**13,037**	**3,866**	**23**

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

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

Financial derivatives refer to the positive valuation of CFD contracts traded against customers, as well as derivative contracts regulated or entered into with institutional counterparties for the purpose of hedging such derivative contracts, Knock Out Options and Certificates issued for a total amount of € 3,652 thousand (€ 3,830 thousand as at December 31st, 2022).

Sub-item B.1.1 "Derivative instruments - Trading financial derivatives" also includes the positive valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"), for a total amount of € 1,669 thousand (€ 2,534 thousand as at December 31st, 2022).

Part B – Balance sheet

2.2 Financial assets held for trading: breakdown by issuer/borrower

(Amounts in € thousand)

Items/Amounts	Total 12/31/2023	Total 12/31/2022
A. On-balance sheet assets		
1. Debt securities	-	-
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity instruments	8,765	10,533
a) Banks	-	1
b) Other financial companies	688	397
of which: Insurance companies	-	-
c) Non-financial companies	8,077	10,135
d) Other issuers	-	-
3. Units in investment funds	23	29
4. Loans	-	-
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total (A)	**8,788**	**10,562**
B. Derivative instruments	**-**	**-**
a) Central Counterparties	73	177
b) Others	5,248	6,187
Total (B)	**5,321**	**6,364**
Total (A+B)	**14,109**	**16,926**

Item B. “Derivative instruments” also includes the positive valuations of spot contracts for securities classified in the “Financial Assets held for trading” portfolio and currencies to be settled within times established by market practices ("regular way").

2.3 Financial assets designated at fair value: product breakdown

No data to report.

2.4 Financial assets designated at fair value: breakdown by issuer/borrower

No data to report.

Part B – Balance sheet

2.5 Other financial assets mandatorily at fair value: product breakdown

(Amounts in € thousand)

Items/Accounts	Total 12/31/2023			Total 12/31/2022		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**48**	**-**	**-**	**77**	**2**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	48	-	-	77	2	-
2. Equity instruments	**1**	**-**	**6,032**	**1**	**-**	**5,028**
3. Units in investment funds	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	**49**	**-**	**6,032**	**78**	**2**	**5,028**

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

Equity securities included in “Other financial assets mandatorily at fair value” primarily consist of the Visa INC class “C” and “A” preferred shares, for an amount of € 6,022 thousand, which saw a positive change in fair value during 2023 of € 1,013 thousand. For more details on the fair value measurement of financial instruments, please refer to Part A - Accounting Policies - A.4 Information on the fair value of these notes to the accounts.

Equity securities of issuers in default were classified by the Bank as bad loans in the financial statements for a total amount not relevant.

Part B – Balance sheet

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

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
1. Equity instruments	**6,033**	**5,029**
of which: banks	8	14
of which: other financial companies	6,022	5,010
of which: other non-financial companies	3	5
2. Debts securities	**48**	**79**
a) Central Banks	-	-
b) Public Entities	45	76
c) Banks	3	3
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. Units investment funds	**-**	**-**
4. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**6,081**	**5,108**

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

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

(Amounts in € thousand)

Item/Amounts	Total 12/31/2023			Total 12/31/2022		
	L1	L2	L3	L1	L2	L3
1. Debts securities	**29,062**	**-**	**-**	**26,865**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	29,062	-	-	26,865	-	-
2. Equity instruments	**-**	**-**	**7**	**-**	**-**	**7**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**29,062**	**-**	**7**	**26,865**	**-**	**7**

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

"Financial assets at fair value through other comprehensive income" consist of securities issued by sovereign States and, residually, of equity interests in companies in which the Bank does not exercise control or significant influence for € 7 thousand for which the "FVTOCI"[33] option was exercised. For more details, see the information in exposures on securities issued by Sovereign States set out in Part E of the notes to the accounts.

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

(Amounts in € thousand)

Items/Amounts	Total 12/31/2023	Total 12/31/2022
1. Debt securities	**29,062**	**26,865**
a) Central Banks	-	-
b) Public Entities	29,062	26,865
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity Instruments	**7**	**7**
a) Banks	-	-
b) Other issuers:	7	7
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	7	7
- others	-	-
3. Loans	**-**	**-**
a) Central Banks	-	-
b) Public Entities	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**29,069**	**26,872**

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

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

(Amounts in € thousand)

	Gross amount					Writedowns				Partial write-offs
	Stage 1	of which: low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities	29,064	-	-	-	-	(2)	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 12/31/2023	**29,064**	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**-**
Total 12/31/2022	**26,867**	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**	**-**	**-**

Part B – Balance sheet

Section 4 - Financial assets at amortised cost – Item 40

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

(Amounts in € thousand)

Type of transaction/Values	Total 12/31/2023						Total 12/31/2022					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and Stage 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stage 1 and Stage 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
A. Loans and receivables to Central Banks	**269,082**	**-**	**-**	**-**	**-**	**269,082**	**311,357**	**-**	**-**	**-**	**-**	**311,357**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	269,082	-	-	X	X	X	311,357	-	-	X	X	X
3. Reverse repos	-	-	-	X	X	X	-	-	-	X	X	X
4. Others	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and receivables to banks	**2,699,412**	**-**	**-**	**1,757,250**	**711,173**	**82,190**	**3,707,873**	**-**	**-**	**1,604,553**	**1,784,822**	**105,375**
1. Loans	82,190	-	-	-	-	82,190	105,375	-	-	-	-	105,375
1.1. Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	46,202	-	-	X	X	X	56,522	-	-	X	X	X
1.3. Other loans	35,988	-	-	X	X	X	48,853	-	-	X	X	X
- Reverse repos	397	-	-	X	X	X	261	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	35,591	-	-	X	X	X	48,592	-	-	X	X	X
2. Debts securities	2,617,222	-	-	1,757,250	711,173	-	3,602,498	-	-	1,604,553	1,784,822	-
2.1. Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other	2,617,222	-	-	1,757,250	711,173	-	3,602,498	-	-	1,604,553	1,784,822	-
Total	**2,968,494**	**-**	**-**	**1,757,250**	**711,173**	**351,272**	**4,019,230**	**-**	**-**	**1,604,553**	**1,784,822**	**416,732**

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

"Reverse repos" do not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" transactions in table A.1.6 in Part E - Information on risks and related hedging policies - Section 1 – Credit risk - Quantitative information of these notes to the accounts.

The item "Other loans: Other" amounted to € 28,489 thousand to the amount of the initial and variation margins and collateral deposits placed with credit institutions for derivative transactions (€ 41,306 thousand as at December 31st, 2022), and € 7,102 thousand to current receivables associated with the provision of financial services (€ 7,286 thousand as at December 31st, 2022).

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

Part B – Balance sheet

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

(Amounts in € thousand)

Type of transaction/Values	Total 12/31/2023						Total 12/31/2022					
	Book value			Fair value			Book value			Fair value		
	Stage 1 and Stage 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3	Stage 1 and Stage 2	Stage 3	Purchased or originated credit-impaired	L1	L2	L3
1. Loans	**6,171,987**	**3,965**	**-**	**-**	**-**	**6,095,249**	**6,422,560**	**3,527**	**-**	**-**	**-**	**6,261,174**
1.1. Current accounts	2,171,981	1,901	-	X	X	X	2,399,917	1,773	-	X	X	X
1.2. Reverse repos	130,069	168	-	X	X	X	138,989	37	-	X	X	X
1.3. Mortgages	2,498,914	1,101	-	X	X	X	2,618,344	934	-	X	X	X
1.4. Credit cards, personal loans and wage assignment	856,918	735	-	X	X	X	891,343	721	-	X	X	X
1.5. Lease loans	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	514,105	60	-	X	X	X	373,967	62	-	X	X	X
2. Debt securities	**18,748,073**	**-**	**-**	**17,652,735**	**125,890**	**-**	**20,997,394**	**-**	**-**	**19,239,845**	**177,490**	**-**
2.1. Structured	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other	18,748,073	-	-	17,652,735	125,890	-	20,997,394	-	-	19,239,845	177,490	-
Total	**24,920,060**	**3,965**	**-**	**17,652,735**	**125,890**	**6,095,249**	**27,419,954**	**3,527**	**-**	**19,239,845**	**177,490**	**6,261,174**

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

The item "Reverse repo" does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" transactions in table A.1.7 in Part E - Information on risks and related hedging policies - Section 1 - Risks of the prudential consolidation - Quantitative information of these notes to the accounts.

The item "Other loans" mainly includes loans granted to Cronos Vita Assicurazioni S.p.A., for a balance sheet amount of € 293,022 thousand (not present as of 31 December 2022), guarantee deposits, initial and variation margins for derivative transactions and other transactions on financial instruments, in the amount of € 103,593 thousand (€ 259,849 thousand as of 31 December 2022), and operating receivables related to the provision of financial services, in the amount of € 113,718 thousand (€ 111,124 thousand as of 31 December 2022).

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

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

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

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

In the table above, repo transactions entered into on the MTS and settled through a Central Counterparty have been shown netted. The effect of netting is shown in table "5. Financial assets subject to accounting offsetting or master netting agreements or similar agreements " and table "6. Financial liabilities subject to accounting offsetting or master netting agreements or similar agreements" in Part B - Balance Sheet Information of these notes to the accounts.

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

4.3 Financial assets at amortized cost: breakdown by debtors/issuers of receivables to customers

(Amounts in € thousand)

Type of transaction / Values	Total 12/31/2023			Total 12/31/2022		
	Stage 1 and Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1 and Stage 2	Stage 3	Purchased or originated credit-impaired
1. Debt securities	**18,748,073**	**-**	**-**	**20,997,394**	**-**	**-**
a) Public Administration	18,748,073	-	-	20,997,394	-	-
b) Other financial company	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial companies	-	-	-	-	-	-
2. Loans to:	**6,171,987**	**3,965**	**-**	**6,422,560**	**3,527**	**-**
a) Public Administration	4	-	-	2	-	-
b) Other financial company	502,093	5	-	361,427	1	-
of which: insurance companies	22,693	-	-	28,909	-	-
c) Non financial companies	1,340	26	-	1,149	17	-
d) Households	5,668,550	3,934	-	6,059,982	3,509	-
Total	**24,920,060**	**3,965**	**-**	**27,419,954**	**3,527**	**-**

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

(Amounts in € thousand)

		Gross amount					Writedowns				Partial write-offs
		Stage 1	of which: low credit risk	Stage 2	Stage 3	Purchased or originated credit-impaired	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Debt securities		21,371,034	-	-	-	-	(5,739)	-	-	-	-
Loans		6,489,124	-	46,375	24,094	-	(6,897)	(5,343)	(20,129)	-	-
Total	**12/31/2023**	**27,860,158**	**-**	**46,375**	**24,094**	**-**	**(12,636)**	**(5,343)**	**(20,129)**	**-**	**-**
Total	**12/31/2022**	**31,417,338**	**-**	**41,720**	**25,229**	**-**	**(15,272)**	**(4,602)**	**(21,702)**	**-**	**-**

Part B – Balance sheet

Section 5 – Hedging derivatives – Item 50

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

(Amounts in € thousand)

	Fair Value 12/31/2023			NA	Fair Value 12/31/2022			NA
	L1	L2	L3	12/31/2023	L1	L2	L3	12/31/2022
A. Financial derivatives								
1. Fair value	-	896,577	-	9,070,461	-	1,691,642	-	9,976,612
2. Cash flows	-	-	-	-	-	-	-	-
3. Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**896,577**	**-**	**9,070,461**	**-**	**1,691,642**	**-**	**9,976,612**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

5.2 Hedging derivatives: breakdown by hedged assets and risk (balance sheet value)

(Amounts in € thousand)

Transaction/Type of hedge	Fair Value							Cash-flow hedges		Net investments in foreign subsidiaries
	Micro						Macro	Micro	Macro	
	debt securities and interest rates	equity instruments and index	currencies and gold	credit	commodities	others				
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at amortised cost	684,177	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	196,778	X	-	X
4. Others	-	-	-	-	-	-	X	-	X	-
Total assets	**684,177**	**-**	**-**	**-**	**-**	**-**	**196,778**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	15,622	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**15,622**	**-**	**-**	
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities portfolio	X	X	X	X	X	X	-	X	-	-

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

6.1 Fair value change of hedged assets: breakdown by hedged portfolio

(Amounts in € thousand)

Fair value of hedged assets/Amounts	Total 12/31/2023	Total 12/31/2022
1. Positive changes	**75**	**-**
1.1 of specific portfolios:	75	-
a) financial assets at amortized cost	75	-
b) financial assets at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative changes	**(189,378)**	**(266,938)**
2.1 of specific portfolios	(189,378)	(266,938)
a) financial assets at amortized cost	(189,378)	(266,938)
b) financial assets at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**(189,303)**	**(266,938)**

Section 7 - Equity investments - Item 70

7.1 Equity Investments information on shareholders' equity

Name	Registered office	Headquarters	Equity %	Voting rights %
A. Subsidiaries				
1. Fineco Asset Management DAC	Dublin	Dublin	100%	100%
2. Fineco International Ltd	London	London	100%	100%
B. Joint ventures				
C. Companies under significant influence				
1. Vorvel SIM S.p.A.	Milan	Milan	20%	20%

As previously described, on 26 December 2023, the request for deletion from the English commercial register of Fineco International Ltd was published in the Official Gazette, which will be effective two months from that date, unless an objection to the deletion is lodged.

7.2 Significant equity investments book value, fair value and dividends received

As required by Circular no. 262 dated December 22nd, 2005 and following updates: "Bank financial statements: layouts and preparation" the information referred to in this paragraph is not provided in the individual financial statements as FinecoBank draws up the consolidated financial statements pursuant to the same Circular.

7.3 Significant equity investments: accounting data

As required by Circular no. 262 dated December 22nd, 2005 and following updates: "Bank financial statements: layouts and preparation" the information referred to in this paragraph is not provided in the individual financial statements as FinecoBank draws up the consolidated financial statements pursuant to the same Circular.

7.4 Non-significant investments accounting data

As required by Circular no. 262 dated December 22nd, 2005 and following updates: "Bank financial statements: layouts and preparation" the information referred to in this paragraph is not provided in the individual financial statements as FinecoBank draws up the consolidated financial statements pursuant to the same Circular.

7.5 Equity investments: annual changes

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
A. Opening balance	**4,718**	**4,295**
B. Increases	**195**	**700**
B.1 Purchases	-	-
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other changes	195	700
C. Decreases	**(261)**	**(277)**
C.1 Sales	-	-
C.2 Adjustments	(195)	-
C.3 Depreciations	(66)	(276)
C.4 Other changes	-	(1)
D. Closing balance	**4,652**	**4,718**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

During 2023, FinecoBank waived the receivable claimed from Fineco International Ltd, represented by the utilisation of a credit line, consequently increasing the value of the equity investment by € 195 thousand, and then recognised an impairment adjustment of the same amount, completely writing off the value of the equity investment.

Impairment testing of investments

As required by IAS/IFRS, impairment testing of equity investments is performed if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the net investment, and these loss events have an impact on expected future cash flows.

For investments in associates and joint ventures, the process of recognising objective evidence of impairment includes testing for impairment indicators of a qualitative and quantitative nature. In the presence of impairment indicators, the recoverable amount, represented by the higher of fair value less costs to sell and value in use, is determined, and if the latter is lower than the carrying amount, an impairment loss is recognised. It is not always necessary to determine both fair value and value in use. If either value is higher than the carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.

Controlling interests recognised in FinecoBank's separate financial statements are subject to impairment testing, where applicable, while maintaining consistency between the valuations made in the separate financial statements and the valuations made in the consolidated financial statements.

In order to determine the value in use of the investment in Vorvel SIM S.p.A., the only company subject to significant influence, the Discounted Cash Flow (DCF) model was used, where the cost of capital (ke) was calculated using the same values that FinecoBank uses in other models already in use in other contexts, with the exception of Beta for which reference was made to a basket of comparable companies. The results of the impairment test did not show any need for impairment adjustments, as the value in use was higher than the book value. It should be noted that the equity valuation at December 31st, 2023 resulted in a depreciation of € 66 thousand.

The methodology for determining the recoverable value described above (model, assumptions and parameters used) was approved by the Board of Directors on February 6th, 2024.

As described above, the Bank waived the receivable due from Fineco International Ltd. and recognised an impairment adjustment of € 195 thousand.

7.6 Commitments to equity interests in joint ventures

As required by Circular no. 262 dated December 22nd, 2005 and following updates: "Bank financial statements: layouts and preparation" the information referred to in this paragraph is not provided in the individual financial statements as FinecoBank draws up the consolidated financial statements pursuant to the same Circular.

Part B – Balance sheet

7.7 Commitments to equity interests in companies under significant influence

As required by Circular no. 262 dated December 22nd, 2005 and following updates: "Bank financial statements: layouts and preparation" the information referred to in this paragraph is not provided in the individual financial statements as FinecoBank draws up the consolidated financial statements pursuant to the same Circular.

7.8 Significant restrictions

As required by Circular no. 262 dated December 22nd, 2005 and following updates: "Bank financial statements: layouts and preparation" the information referred to in this paragraph is not provided in the individual financial statements as FinecoBank draws up the consolidated financial statements pursuant to the same Circular.

7.9 Other information

As required by Circular no. 262 dated December 22nd, 2005 and following updates: "Bank financial statements: layouts and preparation" the information referred to in this paragraph is not provided in the individual financial statements as FinecoBank draws up the consolidated financial statements pursuant to the same Circular.

Section 8 - Property, plant and equipment - Item 80

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

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2023	Total 12/31/2022
1. Owened assets	**86,360**	**84,096**
a) lands	23,932	23,932
b) buildings	38,795	39,487
c) office furniture and fittings	2,455	2,669
d) electronic system	18,540	15,651
e) other	2,638	2,357
2. Assets under financial lease	**58,408**	**60,006**
a) lands	296	-
b) buildings	57,510	59,490
c) office furniture and fittings	-	-
d) electronic system	4	-
e) other	598	516
Total	**144,768**	**144,102**
of which: obtained through enforcement of the guarantees received	-	-

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the notes to the accounts.

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

Part B – Balance sheet

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

No data to report.

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

No data to report.

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

No data to report.

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

No data to report.

Part B – Balance sheet

8.6 Property, plant and equipment used in the business: annual changes

(Amounts in € thousand)

	Lands	Buildings	Office furniture and fittings	Electronic systems	Others	Total
A. Gross opening balance	**23,932**	**135,468**	**19,266**	**53,014**	**13,905**	**245,585**
A.1 Total net reduction in value	-	(36,491)	(16,597)	(37,363)	(11,032)	(101,483)
A.2 Net opening balance	**23,932**	**98,977**	**2,669**	**15,651**	**2,873**	**144,102**
B. Increases:	**381**	**14,051**	**816**	**9,117**	**1,490**	**25,855**
B.1 Purchases	-	9,642	815	9,081	1,489	21,027
B.2 Capitalised expenditure on improvements	-	-	-	-	-	-
B.3 Write-backs	-	-	-	-	-	-
B.4 Increase in fair value recognised	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	-	-	X	X	X	-
B.7 Other changes	381	4,409	1	36	1	4,828
C. Decreases:	**(85)**	**(16,723)**	**(1,030)**	**(6,224)**	**(1,127)**	**(25,189)**
C.1 Sales	-	-	-	(38)	-	(38)
C.2 Depreciation	(85)	(12,101)	(1,018)	(6,180)	(1,098)	(20,482)
C.3 Impairment losses recognised	-	(59)	(10)	(2)	(6)	(77)
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	(59)	(10)	(2)	(6)	(77)
C.4 Decreases in fair value recognised	-	-	-	-	-	-
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Transfer to:	-	-	-	-	-	-
a) property, plant and equipment held for investment	-	-	X	X	X	-
b) assets held for sale	-	-	-	-	-	-
C.7 Other changes	-	(4,563)	(2)	(4)	(23)	(4,592)
D. Net closing balance	**24,228**	**96,305**	**2,455**	**18,544**	**3,236**	**144,768**
D.1 Total net reduction in value	(132)	(44,831)	(17,438)	(36,457)	(11,692)	(110,550)
D.2 Gross closing balance	**24,360**	**141,136**	**19,893**	**55,001**	**14,928**	**255,318**
E. Carried at cost	24,228	96,305	2,455	18,544	3,236	144,768

The asset classes specified in the table above are carried at cost.

Items B.7 and C.7 "Other changes" include the changes in the activities consisting of the right of use due to the changes made to the payments due for the leasing after the initial recognition. Below is the amount of changes by type of asset.

(Amounts in € thousand)

	Land	Buildings	Furniture and fittings	Electronic systems	Other	Total
Other increases due to changes in rights of use	16	4,409				**4,425**
Other decreases due to changes in rights of use		(2,461)			(21)	**(2,482)**

8.7 Property, plant and equipment held for investment: annual changes

No data to report.

8.8 Inventories of property, plant and equipment regulated by IAS 2: annual changes

No data to report.

8.9 Commitments to purchase property, plant and equipment

As at December 31st, 2023 the Bank had contractual commitments to purchase property, plant and equipment amounting to € 89 thousand.

We also report that there are no restrictions on the ownership of tangible assets and there are no tangible assets pledged as security for liabilities.

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown by assets type

(Amounts in € thousand)

Activities/Values	Total 12/31/2023		Total 12/31/2022	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	**89,602**	X	**89,602**
A.2 Other intangible asset	**7,006**	**27,459**	**9,275**	**27,459**
of which: software	7,000	-	9,237	-
A.2.1 Assets valued at cost:	7,006	27,459	9,275	27,459
a) Intangible assets generated internally	-	-	-	-
b) Other assets	7,006	27,459	9,275	27,459
A.2.2 Assets valued at fair value:	-	-	-	-
a) Intangible assets generated internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**7,006**	**117,061**	**9,275**	**117,061**

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

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

With regard to the considerations conducted as of December 31st, 2023 regarding the impairment test of intangible assets with finite and indefinite useful lives, specifically goodwill, trademarks, and Fineco domains, there are no indicators that would require adjustments to the related carrying amounts. For further details regarding the impairment test of intangible assets with indefinite useful lives, please refer to the paragraphs below.

Part B – Balance sheet

9.2 Intangible assets: annual changes

(Amounts in € thousand)

	Goodwill	Other intangible assets: internally generated		Other intangible assets: others		Total
		FIN	INDEF	FIN	INDEF	
A. Gross opening balance	**124,729**	**-**	**-**	**110,425**	**27,459**	**262,613**
A.1 Total net reduction in value	(35,127)	-	-	(101,150)	-	(136,277)
A.2 Net opening balance	**89,602**	**-**	**-**	**9,275**	**27,459**	**126,336**
B. Increases	**-**	**-**	**-**	**3,673**	**-**	**3,673**
B.1 Purchases	-	-	-	3,673	-	3,673
B.2 Increases in internal intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value recognised:	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**(5,942)**	**-**	**(5,942)**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	(5,942)	-	(5,942)
- Amortisations	X	-	-	(5,942)	-	(5,942)
- Write-downs	-	-	-	-	-	-
+ in equity	X	-	-	-	-	-
+ through profit or loss	-	-	-	-	-	-
C.3 Decreases in fair value	-	-	-	-	-	-
- in equity	X	-	-	-	-	-
- through profit or loss	X	-	-	-	-	-
C.4 Transfers to non-current assets and discontinued operations	-	-	-	-	-	-
C.5 Negative exchange differrences	-	-	-	-	-	-
C.6 Other changes	-	-	-	-	-	-
D. Net closing balance	**89,602**	**-**	**-**	**7,006**	**27,459**	**124,067**
D.1 Total net impairments	(35,127)	-	-	(107,092)	-	(142,219)
E. Gross closing balance	**124,729**	**-**	**-**	**114,098**	**27,459**	**266,286**
F. Carried at cost	89,602	-	-	7,006	27,459	124,067

Key
FIN: finite life
INDEF: indefinite life

The asset classes specified in the table above are carried at cost.

9.3 Other information

As at December 31st, 2023 the Bank had contractual commitments to purchase intangible assets amounting to € 2,212 thousand.

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

Part B – Balance sheet

Other information - Impairment test

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

Recoverable value is the greater of the value in use (present value of future cash flows generated by the asset being valued) and the associated fair value, net of sales costs. It is not always necessary to determine both fair value and value in use. If either value is higher than the carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.

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

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

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

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

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

Definition of CGU

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

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

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

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

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

Impairment test model

The calculation of the value in use for the purposes of impairment testing is made using the Discounted Cash Flow (DCF) model. The cash flows are determined by subtracting the annual capital requirement generated by the change in the risk-weighted assets from net profit. This capital requirement is determined by considering the long-term capitalisation to be achieved, also in light of the minimum regulatory capital requirements.

Cash flows

The discounted cash flow model used is based on future cash flows estimated by management in four steps:

- year 2024, in which the budget figures were considered (submitted for approval by the Board of Directors on December 14th, 2023);
- years 2025-2026, which considers the figures of the multiyear plan approved by the Board of Directors on December 14th, 2023;
- intermediate period of five years from 2027 to 2031, for which the forecasts of the financial flows are projected by applying beginning in the last explicit estimate period (2026) rates of growth decreasing up to 2% to the terminal value (TV);
- terminal value calculated using a nominal growth rate of 2%. The average Eurozone actual GDP rate from 2013 to 2022 was 3.6% (of which 2.0 due to inflation).

Discount rates of cash flows

Future financial flows were discounted using a conservative estimate of the discount rate, incorporating the risk factors linked to the business sector into the cost of equity (Ke). The discount rate is a nominal rate, net of taxes.

In particular, the cost of capital for the Bank is the sum of the following:

- Risk-free rate: the daily average at 3 months of the 10-year Btp (equal to 4.52%);
- Equity Risk Premium - ERP (Beta * Market Risk Premium): calculated using the value of 6.20% as a premium for the risk offered by the stock market compared to the risk-free investment (Rm-Rf) and as Beta (coefficient that links the performance of the stock to that of the stock market) the 5-year daily average of the Fineco share compared to FTSEMIB and SXXP indices.

The cost of capital in 2025 is calculated considering the average expected return of the 10-year BTP expected in 2026 as risk free (3-months average, equal to 4.01%); the ERP is instead kept the same as that calculated for 2024. The 2026 cost of capital is then maintained steady until the TV.

Impairment test results

The methodology for calculating the value in use described above (model, assumptions and parameters used) was approved by the Board of Directors on December 14th, 2023. For the impairment testing the carrying amount of the goodwill, brand (including domains) and Shareholders' equity was compared with its value in use calculated using that methodology. The outcome of the tests, approved by the Board of Directors of February 6th, 2024, confirmed the sustainability of the goodwill and the brand recognised in the financial statements as at December 31st, 2023, with the value in use significantly higher than the carrying amount. It should also be noted that in relation to the price of the "FinecoBank" share, a market capitalisation of € 8,295 million as at December 31st, 2023 emerges, significantly higher than the Bank's equity and the result of the model used for the impairment test, which confirms the application of prudent criteria in calculating value in use.

Sensitivity analysis

Given the complexity of the measurement process and the uncertainty involved in making forecasts on future profitability, especially in the long term, some sensitivity analyses were carried out assuming changes to the main parameters used in the impairment test.

The table below shows the change in the value in use, net of book value of brand and of shareholders' equity, in relation to changes in the main parameters used in the DCF model underlying the impairment test.

	1% increase of the discount rate after taxes (KE)	1% increase of core tier 1 ratio target	1% decrease of the nominal growth rate for the calculation of terminal value	5% decrease of annual earnings	Use of core tier 1 ratio as at 12/31/2023 (24.34%*)
Change of value in use	-10.1%	-0.3%	-6.4%	-5.2%	-2.8%

* Consolidated Core Tier 1

The results confirm the sustainability of the goodwill recognised in the financial statements, as none of the scenarios hypothesised revealed the need for a write-down, as the value in use, calculated applying those variations, was much higher than the book value.

It should also be noted that the impairment test reaches the break-even assuming changes in the above parameters that are currently unreasonable. The impairment test reached a break-even with an absolute positive change in the discount rate after tax (Ke) of around 24 percentage points, i.e. with a reduction of around 55% of annual earnings (while maintaining all the other parameters and information used unchanged, in both scenarios).

Section 10 - Tax Assets and Tax Liabilities - Asset item 100 and liability item 60

The item "Tax assets", amounting to € 49,749 thousand as at December 31st, 2023, is exclusively made of "Deferred tax assets", already net of the set-off against "Deferred tax liabilities" for € 4,432 thousand.

The item "Tax liabilities", amounting to € 85,560 thousand at the same date, is exclusively made of "Current tax liabilities", already net of the compensation of IRES and IRAP advances paid during 2023. There are no "Deferred tax liabilities" as they are offset against "Deferred tax assets" for € 4,432 thousand.

Current Tax Assets and Liabilities

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2023	Total 12/31/2022
Current tax assets	-	-
Current tax liabilities	85,560	41,865

Deferred tax assets/liabilities

Deferred tax assets/liabilities are shown in the Balance Sheet net of the related deferred tax liabilities/assets; the detail is as follows:

- "Deferred tax assets" of € 52,149 thousand recognised as a balancing entry in the income statement;
- "Deferred tax assets" of € 2,032 thousand recognised as a balancing entry of shareholders' equity;
- "Deferred tax liabilities" of € 3,919 thousand recognised as a balancing entry in the income statement;
- "Deferred tax liabilities" of € 513 thousand recognised as a balancing entry of shareholders' equity.

In accordance with the law and regulations currently in force:

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

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

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

Part B – Balance sheet

10.1 Deferred tax assets: breakdown

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2023	Total 12/31/2022
Allocations through profit or loss	**50,534**	**45,754**
- of which Patent Box ex D.L. n.3/2015	17,186	13,186
- of which Provisions for Risks and Charges	23,062	19,455
- of which Realignment of goodwill art. 110 of D.L. n. 104/2020	9,603	9,807
- of which Other	683	3,306
Allocations through equity	**2,032**	**1,926**
- of which Revaluation reserve application IAS 19	750	-
- of which Financial assets at fair value through comprehensive income	1,282	1,926
Impairment losses on receivables (of which pursuant to Law 214/2011)	**1,615**	**2,407**
Total before IAS 12 offset	**54,181**	**50,087**
Offset against deferred tax liabilities - IAS 12	(4,432)	(3,620)
Total	**49,749**	**46,467**

10.2 Deferred tax liabilities: breakdown

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2023	Total 12/31/2022
Allocations through profit or loss	**3,919**	**3,024**
- of which Goodwill and Brand	3,824	2,943
- of which Other	95	81
Allocations through equity	**513**	**596**
- of which Revaluation reserve application IAS 19	513	596
Total before IAS 12 offset	**4,432**	**3,620**
Offset against deferred tax assets - IAS 12	(4,432)	(3,620)
Total	**-**	**-**

10.3 Changes in deferred tax assets (through profit or loss)

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
1. Opening balance	**48,161**	**44,757**
2. Increases	**11,447**	**8,416**
2.1 Deferred tax assets recognised in the year	11,421	8,416
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) others	11,421	8,416
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	26	-
3. Decreases	**(7,459)**	**(5,012)**
3.1 Deferred tax assets cancelled in the year	(4,854)	(4,904)
a) reversals of temporary differences	(4,854)	(4,904)
b) write-downs of non-recoverable items	-	-
c) changes in accountable policies	-	-
d) others	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	(2,605)	(108)
a) conversion of tax credits as per Law 214/2011	-	-
b) others	(2,605)	(108)
4. Closing balance	**52,149**	**48,161**

Increases in deferred tax assets recognised in the year with contra-entry to the income statement refer, mainly, to the tax benefit related to the Patent Box regime pursuant to Legislative Decree No. 3 of 2015 for the year 2023 and to provisions for risks and charges. Decreases in deferred tax assets recognised during the year with a balancing entry in the income statement refer, mainly, to utilisations or releases of provisions for risks and charges.

Part B – Balance sheet

10.3 bis Changes in deferred tax assets under Law 214/2011

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
1. Opening balance	**2,407**	**2,772**
2. Increases	**-**	**-**
3. Decreases	**(792)**	**(365)**
3.1 Reversals	(792)	(365)
3.2 Conversion into tax credits	-	-
a) resulting from operating losses	-	-
b) resulting from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**1,615**	**2,407**

The decreases refer to the deduction of write-downs and losses on loans to customers according to the reabsorption plan provided for by Legislative Decree n. 83 of 2015 as amended by Law no. 145 of 2018 and by Law no. 160 of 2019 and later by Article 42 of Decree Law No. 17 of 2022. Law No. 213 of 2023 rescheduled the repayment plan for pre-2016 customer loans starting with the portions referring to 2024.

10.4 Changes in deferred tax liabilities (through profit or loss)

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
1. Opening balance	**3,024**	**2,146**
2. Increases	**895**	**1,029**
2.1 Deferred tax liabilities arising during the year	895	946
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	895	946
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	83
3. Decreases	**-**	**(151)**
3.1 Deferred tax liabilities de-recognised during the year	-	(151)
a) reversals of temporary differences	-	(151)
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**3,919**	**3,024**

Increases in deferred tax liabilities recognised in the year as a balancing entry in the income statement refer to the recognition of deferred tax liabilities on the amortisation of the brand and goodwill subject to realignment pursuant to Article 110 of Legislative Decree 104/2020.

Part B – Balance sheet

10.5 Changes in deferred tax assets (through equity)

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
1. Opening balance	**1,926**	**1,048**
2. Increases	**749**	**1,926**
2.1 Deferred tax assets recognised in the year	749	1,926
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	749	1,926
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(643)**	**(1,048)**
3.1 Deferred tax assets cancelled in the year	(643)	(1,048)
a) reversals of temporary differences	(643)	(1,048)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
d) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**2,032**	**1,926**

Increases in deferred tax assets recognised during the year with contra-entry to equity refer to actuarial losses recognized in shareholders' equity as part of the valuation reserves in application of the provisions of IAS 19 Revised. Decreases in deferred tax assets recognised during the year with contra-entry to equity refer to write-backs on securities classified in “Financial assets at fair value through other comprehensive income” item.

Part B – Balance sheet

10.6 Changes in deferred tax liabilities (through equity)

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
1. Opening balance	**596**	**705**
2. Increases	**-**	**94**
2.1 Deferred tax assets recognised in the year	-	94
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	-	94
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(83)**	**(203)**
3.1 Deferred tax assets cancelled in the year	(83)	(203)
a) reversals of temporary differences	(83)	(203)
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting policies	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases:	-	-
4. Other decreases	**513**	**596**

Decreases in deferred tax liabilities recognised during the year through equity refer to actuarial losses recognized in shareholders' equity as part of the valuation reserves in application of the provisions of IAS 19 Revised.

10.7 Other information

No information to report.

Part B – Balance sheet

Section 11 - Non-current assets and disposal groups classified as held for sale and associated liabilities - Assets item 110 and liabilities item 70

No information to report.

Section 12 - Other assets - Item 120

12.1 Other assets: breakdown

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
Trade receivables according to IFRS15	8,049	7,896
Tax credits purchased	1,618,030	1,093,255
Current receivables not related with the provision of financial services	3,890	2,170
Receivables due to disputed items not deriving from lending	129	129
Improvement and incremental expenses incurred on leasehold assets	2,809	3,691
Definitive items not recognised under other items:	20,437	19,975
- securities and coupons to be settled	541	3,589
- other transactions	19,896	16,386
Tax items other than those included in the item "Tax assets":	258,290	295,937
- tax advances	254,217	290,700
- tax credit	4,073	5,237
Items awaiting settlement	4,594	4,153
Items in processing	10,817	7,753
- POS, bancomat and Visa debit	10,813	7,749
- Others	4	4
Items in transit not allocated to relevant accounts	-	1
Accrued income and prepaid expenses other than those related to contracts to customers and other than capitalised in related financial assets or liabilities	25,836	16,549
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	76,585	80,407
Total	2,029,466	1,531,916

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

It should be noted that among the Tax Credits pursuant to Article 121 of Law Decree 34/2020 acquired by FinecoBank on the secondary market, for a total amount of around € 393 million, there are also credits that have been subject to preventive seizure in criminal proceedings, purchased for a total amount of around € 56 million. Given the Bank's total extraneousness to the facts under investigation, in these Financial Statements the aforesaid receivables have remained recognised as tax credits (item "Tax credits acquired"), in light of the principle according to which, where it is found that the assigning taxpayer had no right to deduction, the assignees are only liable for any use of the tax credit in an irregular manner or to an extent greater than the tax credit received (paragraph 6 of Art. 121 cited above) or in the event of complicity with fraud or gross negligence, the latter being excluded in the event of the acquisition of all the prescribed documentation (see paragraph 6-bis inserted in Article 121 of LD 34/2020 by Decree-Law No. 11 of February 16th, 2023). In this regard, it should also be noted that: i) since this was a sub-transfer, there was no relationship between FinecoBank and the original beneficiary of the deduction and that, in line with best practice, FinecoBank has put in place a series of in-depth controls, also with the support of specialised companies, so as to prevent any form of liability; (ii) both the clauses and protections included in the contract of assignment of the receivables in question and the rules referred to therein (in particular, Articles 1260 et seq. of the Civil Code) provide adequate protection in favour of FinecoBank, which can claim rights both in terms of the possible termination of the assignment (with the related restitutionary consequences) and in terms of compensation. It should also be noted that, pursuant to Decree-Law No. 4 of January 27th, 2022, converted into Law No. 25 of March 28th, 2022, Article 28-ter, in the event that the tax credits pursuant to Articles 121 and 122 of Decree-Law No. 34 of 2020 cannot be utilised because they are subject to seizure ordered by the judicial authorities, the term for the utilisation of the residual portions at the time of the termination of the seizure is increased by a period equal to the duration of the seizure itself.

The following table “Periodic Change of Accrued Income/Expenses and Prepaid Expenses/Income” discloses the changes incurred in the sub-items “Accrued income and prepaid expenses related to contracts with customers other than capitalised on related financial assets or liabilities” and “Accrued expenses and prepaid income related to contracts with customers other than capitalised on related financial assets or liabilities” reported in the tables “Other assets: breakdown” and “Other liabilities: breakdown” (Section 8 - Liabilities of this Part B of these Notes to the accounts), respectively, as required by the par. 118 of the IFRS15.

Periodic Change of Accrued Income/Expenses and Prepaid Expenses/Income

(Amounts in € thousand)

	Accrued income and prepaid expenses 12/31/2023	Accrued expenses and prepaid income 12/31/2023
Opening balance	**80,407**	**19,572**
Increases	**47,954**	**14,038**
a) external acquisition	-	-
b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS 15 Par 118.b)	-	-
c) reversal of impairment of a contract asset (IFRS 15 Par 118.c)	-	-
d) change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS 15 Par 118.d)	-	-
e) change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability (IFRS 15 Par 118.e)	-	-
f) other	47,954	14,038
Decreases	**(51,776)**	**(14,415)**
a) external acquisition	-	-
b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification (IFRS 15 Par 118.b)	-	-
c) impairment of a contract asset (IFRS 15 Par 118.c)	(335)	-
d) change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable) (IFRS 15 Par 118.d)	-	-
e) change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability (IFRS 15 Par 118.e)	-	-
f) other	(51,441)	(14,415)
Closing balances	**76,585**	**19,195**

The item "Increases f) other" includes the value as at December 31st, 2023 of the accruals that arose in the year 2023. The item “Decreases f) other" includes the reversal to profit and loss, for the portion pertaining to the year 2023, of the accruals existing at December 31st, 2022.

With regard to the disclosure required by paragraph 120 of IFRS15 ("Transaction Price Allocated to Remaining Obligations to Do"), a quantitative disclosure is provided below with a time breakdown (within 1 year and beyond 1 year) of accrued income and deferred expenses from contracts with customers other than those to be capitalised on the relevant financial assets or liabilities.

Transaction price allocated to the remaining performance obligations

(Amounts in € thousand)

	Expected duration of performance <=1 year 12/31/2023	Expected duration of performance >1 year 12/31/2023
Unsatisfied (or Partially Unsatisfied) Performance Obligations - Duration - Other Assets (IFRS 15 Par 120a)	21,604	-
Unsatisfied (or Partially Unsatisfied) Performance Obligations - Duration - Other Liabilities (IFRS 15 Par 120a)	1,399	5,061
Total	**23,003**	**5,061**

The aggregate amount of revenues from services to customers related to the portion of performance obligations not yet satisfied, showed in the table above is equal to € 28,063 thousand. 82% of this amount regards performance obligations expected to be satisfied by the next year-end reporting date.

Part B – Balance sheet

Liabilities

Section 1 - Financial liabilities at amortised cost - Item 10

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

(Amounts in € thousand)

Transactions type/Amounts	Total 12/31/2023				Total 12/31/2022			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**-**	X	X	X	**-**	X	X	X
2. Deposits from banks	**866,978**	X	X	X	**1,677,235**	X	X	X
2.1 Current accounts and demand deposits	1,205	X	X	X	7,812	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	50,786	X	X	X	55,321	X	X	X
2.3.1 Repos	50,786	X	X	X	55,321	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Liabilities relating of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	3,487	X	X	X	3,691	X	X	X
2.6 Other liabilities	811,500	X	X	X	1,610,411	X	X	X
Total	**866,978**	**-**	**-**	**866,978**	**1,677,235**	**-**	**-**	**1,677,235**

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

Item 2.3.1 "Loans - Repos" does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" in table A.1.6 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential - Quantitative information of these notes to the consolidated accounts.

Item 2.6 Other liabilities mainly includes variation margins received for derivative transactions.

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

Part B – Balance sheet

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

(Amounts in € thousand)

Transactions type/Amounts	Total 12/31/2023				Total 12/31/2022			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	27,704,387	X	X	X	30,538,691	X	X	X
2. Time deposits	695,275	X	X	X	-	X	X	X
3. Loans	133,930	X	X	X	930,840	X	X	X
3.1 Repos	133,930	X	X	X	930,840	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Liabilities relating of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease payables	56,552	X	X	X	57,880	X	X	X
6. Other liabilities	153,856	X	X	X	152,446	X	X	X
Total	**28,744,000**	**-**	**31,513**	**28,710,990**	**31,679,857**	**-**	**-**	**31,679,857**

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

The item 3.1 "Loans – Repos " does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" transactions in table A.1.7 in Part E - Information on risks and related hedging policies - Section 1 – Credit Risk - Quantitative information of these notes to the accounts.

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

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

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

In the table above, repo transactions entered into on the Repo MTS and settled through a Central Counterparty have been shown netted. The effect of netting is shown in table "5. Financial assets subject to accounting offsetting or master netting agreements or similar agreements " and table "6. Financial liabilities subject to accounting offsetting or master netting agreements or similar agreements " in Part B - Balance Sheet Information of these notes to the accounts.

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

Part B – Balance sheet

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

(Amounts in € thousand)

Type of securities/Values	Total 12/31/2023				Total 12/31/2022			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Debts securities including bonds								
1. bonds	809,264	777,598	-	-	497,926	428,061	-	-
1.1 structured	-	-	-	-	-	-	-	-
1,2 other	809,264	777,598	-	-	497,926	428,061	-	-
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**809,264**	**777,598**	**-**	**-**	**497,926**	**428,061**	**-**	**-**

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

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

1.4 Breakdown of subordinated deposits/securities

No data to report.

1.5 Breakdown of structured deposits/securities

No data to report.

1.6 Amounts payable under leases

(Amounts in € thousand)

Items/Time buckets	Up to 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Lease liabilities	**10,556**	**10,348**	**8,102**	**7,203**	**6,355**	**17,475**
- Lease liabilities - Banks	420	442	452	462	473	1,238
- Lease liabilities - Customers	10,136	9,906	7,650	6,741	5,882	16,237

The amount of cash flows for leasing paid during 2023 is equal to € 12,292 thousand.

Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: product breakdown

(Amounts in € thousand)

Transactions type/Amounts	Total 12/31/2023					Total 12/31/2022				
	NA	Fair Value			Fair Value *	NA	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	29	2,210	-	3	2,213	593	396	-	3	399
3. Debt securities	-	-	-	-	X	-	-	-	-	X
3.1 Bonds	-	-	-	-	X	-	-	-	-	X
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	X	-	-	-	-	X
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Others	-	-	-	-	X	-	-	-	-	X
Total (A)	**29**	**2,210**	**-**	**3**	**2,213**	**593**	**396**	**-**	**3**	**399**
B. Derivatives										
1. Financial derivatives	X	3,114	1,670	-	X	X	2,788	1,387	-	X
1.1 Trading derivatives	X	3,114	1,670	-	X	X	2,788	1,387	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credits derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Linked to fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**3,114**	**1,670**	**-**	**X**	**X**	**2,788**	**1,387**	**-**	**X**
Total (A+B)	**X**	**5,324**	**1,670**	**3**	**X**	**X**	**3,184**	**1,387**	**3**	**X**

Key
NA = Nominal or Notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3
FV* = Fair value calculated excluding the changes in value due to the change in the issuer's credit rating since the issue date

Financial derivatives include the negative valuation of CFD contracts, Knock Out Options and Certificates issued, as well as derivative contracts regulated or entered into with institutional counterparties used for management hedging of the aforementioned derivative contracts, for a total amount of € 3,347 thousand (€ 1,784 thousand as at December 31st, 2022).

Sub-item B.1.1 "Derivative instruments - Trading financial derivatives" also includes the negative valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"), for a total amount of € 1,436 thousand (€ 2,391 thousand as at December 31st, 2022).

2.2 Breakdown of "Financial liabilities held for trading": subordinated liabilities

No data to report.

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2.3 Breakdown of "Financial liabilities held for trading": structured debts

No data to report.

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

No data to report.

Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and by level

(Amounts in € thousand)

	Fair value 12/31/2023			NA	Fair value 12/31/2022			NA
	L1	L2	L3	12/31/2023	L1	L2	L3	12/31/2022
A. Financial derivatives	**-**	**59,988**	**-**	**2,857,000**	**-**	**63,752**	**-**	**3,420,000**
1) Fair value	-	59,988	-	2,857,000	-	63,752	-	3,420,000
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**59,988**	**-**	**2,857,000**	**-**	**63,752**	**-**	**3,420,000**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

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4.2 Hedging derivatives: breakdown by hedged assets and risk

(Amounts in € thousand)

Transactions/Type of hedge	Fair Value							Cash flow		Net investment in foreign subsidiaries
	Micro									
	Debt securities and interest rates	Equities and equity index	Currencies and gold	Credit	Commodity	Others	Macro	Micro	Macro	
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at ammortised cost	32,460	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	-	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**32,460**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	27,528	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**27,528**	**-**	**-**	**-**
1. Expected transactions	X	X	X	X	X	X	X	-	X	X
2. Financial assets and liabilities Portfolio	X	X	X	X	X	X	-	X	-	-

Section 5 – Changes in fair value of portfolio hedged financial liabilities - Item 50

5.1 Changes to macro-hedged financial liabilities

(Amounts in € thousand)

Adjustments to the value of hedged liabilities/Amounts	Total 12/31/2023	Total 12/31/2022
1. Positive changes to financial liabilities	1,271	-
2. Negative changes to financial liabilities	(32,547)	(66,932)
Total	**(31,276)**	**(66,932)**

Section 6 – Tax liabilities – Item 60

See section 10 of assets.

Section 7 – Liabilities included in disposal groups classified as held for sale – Item 70

See section 11 of assets.

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Section 8 – Other liabilities – Item 80

8.1 Other liabilities: breakdown

(Amounts in € thousand)

Items/Amounts	Total 12/31/2023	Total 12/31/2022
Payables to Directors and Statutory auditors	236	159
Payables to employees	13,122	12,947
Social security contributions payable	8,745	7,717
Current payables not related to the provision of financial services	39,024	37,688
Definitive items not recognised under other items:	66,401	45,954
- securities and coupons to be settled	28,128	10,318
- payment authorisations	22,705	24,480
- other items	15,568	11,156
Tax items other than those included in the item "Tax liabilities":	71,405	55,977
- sums withheld from third parties as withholding agent	39,741	31,631
- other	31,664	24,346
Illiquid items for portfolio transactions	1,500	2,017
Items awaiting settlement:	180,008	130,091
- outgoing bank transfers	152,839	115,172
- POS and ATM cards	27,169	14,919
Items in processing:	2,785	880
- incoming bank transfers	1,326	808
- other items in processing	1,459	72
Accrued expenses and deferred income other than those related to contracts with customers and other than capitalised on the related financial assets or liabilities	240	275
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	19,195	19,572
Sums available to be paid to customers	8,014	11,715
Total	**410,675**	**324,992**

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Section 9 - Provisions for employee severance pay - Item 90

9.1 Provisions for employee severance pay: annual changes

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
A. Opening balance	**3,942**	**5,033**
B. Increases	**490**	**49**
B.1 Provision of the year	158	49
B.2 Other increases	332	-
C. Decreases	**(54)**	**(1,140)**
C.1 Severance payments	(54)	(43)
C.2 Other decreases	-	(1,097)
D. Closing balance	**4,378**	**3,942**
Total	**4,378**	**3,942**

Item B.2 Other changes includes the increase in staff severance pay as a result of the actuarial valuation, performed in accordance with IAS 19 Revised, recognised as an offsetting entry to valuation reserves.

9.2 Other information

The "TFR" provision for Italy-based employee benefits is considered to be a "post-retirement defined benefit". It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method (see Part A.2 - The Main Items of the Accounts).

The Provision for employee severance pay covers the amount of the rights accrued in that respect up to December 31, 2023 by employees, under current legal regulations, as well as national collective bargaining agreements and supplementary company agreements.

The current year was affected by the normal events referable to the severance indemnity fund in accordance with the provisions of the law and the company agreements in force.

In 2007, the new supplementary pension reform pursuant to Legislative Decree no. 252/2005 became effective and, as a result the amounts accrued up to December 31st, 2006 were kept with the Company, whilst the amounts of employee severance pay provision accruing as of January 1st, 2007 were transferred to the supplementary pension funds or the INPS Treasury fund according to the option adopted by the employees (within June 30th, 2007). The result is that:

- the employee severance fund accrued up to December 31, 2006 (or until the date of the option - falling between January 1st, 2007 and June 30th, 2007 - adopted by the employees if the they decided to transfer their employee severance pay provision to a supplementary pension fund) continues to be a "defined-benefit" plan and therefore subject to actuarial valuation, although based on simplified actuarial assumptions which no longer take account of estimated future pay rises;
- the amounts accrued from January 1st, 2007 (or from the date of the option - falling between January 1st, 2007 and June 30th, 2007 - by the employees if they decided to transfer their employee severance pay provision to a supplementary pension fund), were considered as a "defined-contribution" plan (as the Company's liability ceases at the time it pays the employee severance pay provision accrued to the pension fund chosen by the employee) and therefore the related cost for the period is equal to the amounts paid to the Supplementary Pension fund or the INPS Treasury fund.

The following table shows the main actuarial assumptions used to remeasure the liability.

Description of the main actuarial assumptions	12/31/2023	12/31/2022
Discount rate	3.45%	4.10%
Expected inflation rate	2.00%	2.50%

(Amounts in € thousand)

Employee severance pay provision: other information	Total 12/31/2023	Total 12/31/2022
Provisions for the year	**158**	**49**
- Current service cost	-	-
- Interest expense on defined benefit obligations	158	49
- Gains and losses on curtailments and settlements	-	-
- Past service cost	-	-
Actuarial gains (losses) recognised in revaluation reserves (OCI)	**332**	**(1,097)**
- Actuarial gains (losses) for the year	220	(61)
- Actuarial gains/losses on demographic assumptions	-	-
- Actuarial gains/losses on financial assumptions	112	(1,036)

As required by IAS 19 Revised, a sensitivity analysis was performed to identify how the present value of the obligation changes when the actuarial assumptions deemed most significant change, holding other actuarial assumptions constant. A change of -25 basis points in the discount rate would increase the liability by € 83 thousand (+1.90%), while an equivalent increase in the rate would decrease the liability by € 81 thousand (-1.84%). A change of -25 basis points in the inflation rate would result in a decrease in the liability of € 49 thousand (-1.12%), while an equivalent increase in the rate would result in an increase in the liability of € 50 thousand (+1.14%).

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions risk and charges: breakdown

(Amounts in € thousand)

Items/Components	Total 12/31/2023	Total 12/31/2022
1. Provisions for credit risk of commitments and financial guarantees given	226	36
2. Provisions for other commitments and other guarantees given	78	38
3. Provisions for retirement payments and similar obligations	-	-
4. Other provisions for risks and charges	138,862	105,291
4.1 legal and tax disputes	27,308	27,417
4.2 staff expenses	7,812	6,799
4.3 other	103,742	71,075
Total	**139,166**	**105,365**

Item 4.1 “legal and tax disputes” mainly includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties for € 23,817 thousand (€ 24,000 thousand as at December 31st, 2022) and provisions for tax disputes (penalties and interest) for € 3,491 thousand (€ 3,417 thousand as at December 31st, 2022). In addition to the costs incurred by the Bank in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Bank in ongoing disputes to the extent that it is believed that they will not be reimbursed by the counterparties. This estimate was determined by the Bank in relation to the ongoing litigation, mainly on the basis of the Forensic Tariffs envisaged by current legislation.

Item 4.2 "staff expenses" includes, mainly, the provisions made for the variable remuneration to be paid to employees in subsequent years, which have an uncertain due date and/or amount.

Item 4.3 “Other” includes the Supplementary customer indemnity provision, of € 88,948 thousand (€ 68,584 thousand as at December 31st, 2022), the Provision for contractual payments, of € 220 thousand (€ 189 thousand as at December 31st, 2022) and other provisions made for risks related to the

Bank's business and operations, of € 13,574 thousand (€ 2,108 thousand as at December 31st, 2022), including, in particular, the obligations arising from the cost rebalancing agreement that the Parent Company signed with the other distributing banks as part of the operation aimed at protecting the subscribers of Eurovita policies described above and the provisions made for training events for personal financial advisors.

10.2 Provisions for risks and charges: annual changes

(Amounts in € thousand)

	Provisions for other commitments and other guarantees given	Provisions for retirement payments and similar obligations	Other provisions for risks and charges	Total
A. Opening balance	**38**	**-**	**105,291**	**105,329**
B. Increases	**40**	**-**	**46,611**	**46,651**
B.1 Provisions for the year	40	-	27,799	27,839
B.2 Changes due to the passage of time	-	-	3,357	3,357
B.3 Changes due to variations in the discount rate	-	-	212	212
B.4 Other increases	-	-	15,243	15,243
C. Decreases	**-**	**-**	**(13,040)**	**(13,040)**
C.1 Amounts used in the year	-	-	(12,512)	(12,512)
C.2 Changes due to variations in the discount rate	-	-	(127)	(127)
C.3 Other decreases	-	-	(401)	(401)
D. Closing balance	**78**	**-**	**138,862**	**138,940**

Item B.1 Provisions for the year includes net provisions recognised in the income statement. Item C.1 Utilisation during the year includes only monetary utilisations.

Item B.3 Other changes includes the increase in the provision for agents' termination indemnity and the contractual indemnity provision as a result of the actuarial valuation, carried out in accordance with IAS 19 Revised, recognised as an offsetting entry to the valuation reserves.

It should be noted that “Other changes” include transfers between claims and pending litigation, relating to legal and tax disputes recognised in “other provisions for risks and charges”, as shown in table 10.6 Provisions for risks and charges - other provisions

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

(Amounts in € thousand)

	Funds for credit risk related to financial obligation and warranties release				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	Total
1. Loan commitments given	186	-	37	-	223
2. Financial guarantees given	3	-	-	-	3
Total	**189**	**-**	**37**	**-**	**226**

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10.4 Provisions on other commitments and other guarantees given

(Amounts in € thousand)

Items/Components	Total 12/31/2023	Total 12/31/2022
1. Other guarantees given	-	-
2. Other commitments	78	38
Total	**78**	**38**

10.5 Pensions and other post-retirement defined-benefit obligations

No data to report.

10.6 Provisions for risks and charges - other provisions

(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
Legal and fiscal disputes	**27,308**	**27,417**
- Pending cases	21,305	19,661
- Complaints	2,512	4,339
- Tax disputes	3,491	3,417
Staff expenses	**7,812**	**6,799**
Others	**103,742**	**71,075**
- Supplementary customer indemnity provision	89,948	68,584
- Provision for contractual payments and payments under non-competition agreements	220	383
- Other provisions	13,574	2,108
Total provisions for risks and charges - other provisions	**138,862**	**105,291**

(Amounts in € thousand)

Provisions for risks and charges	Total 12/31/2022	Uses	Transfers and other changes	Actuarial gains (losses) IAS 19R *	Net provisions**	Total 12/31/2023
Legal and fiscal disputes	**27,417**	**(2,608)**	**-**	**-**	**2,499**	**27,308**
- Pending cases	19,661	(1,937)	401	-	3,180	21,305
- Complaints	4,339	(607)	(401)	-	(819)	2,512
- Tax disputes	3,417	(64)	-	-	138	3,491
Staff expenses	**6,799**	**(6,722)**	**-**	**-**	**7,735**	**7,812**
Others	**71,075**	**(3,182)**	**-**	**14,841**	**21,008**	**103,742**
- Supplementary customer indemnity provision	68,584	(1,484)	-	14,820	8,028	89,948
- Provision for contractual payments and payments under non-competition agreements	383	-	-	21	(184)	220
- Other provisions	2,108	(1,698)	-	-	13,164	13,574
Total provisions for risks and charges - other provisions	**105,291**	**(12,512)**	**-**	**14,841**	**31,242**	**138,862**

* The item " IAS 19R actuarial gains (losses)" includes the actuarial gains (losses) recognised in the item "Revaluation reserves" in application of IAS 19R.
** The item "Net provisions" includes the costs recognised in their own income statement item to better reflect their nature (e.g. "Staff expenses", "Administrative costs" and "Interest expenses and similar charges").

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It should be noted that the item " Provision for contractual payments and payments under non-competition agreements" as at 31 December 2023 only includes the provision for contractual indemnity, as the provision for non-competition agreements in place as at 31 December 2022 was entirely written off during 2023.

The following table shows the main actuarial assumptions used to measure the liability for the supplementary customer indemnity provision and the provision for contractual payments.

Description of the main actuarial assumptions	12/31/2023	12/31/2022
Discount rate	3.45%	4.10%
Rate salary increase	4.50%	0.00%

As required by IAS 19 Revised, a sensitivity analysis was conducted aimed at identifying how the present value of the liability changes when the actuarial assumptions considered most significant are changed, while keeping the other actuarial assumptions constant.

With reference to the supplementary customer indemnity provision, a change of -25 basis points in the discount rate would result in an increase in liabilities of € 1,978 thousand (+2.20%); an equivalent increase in the rate, on the other hand, would reduce the liability by € 1,907 thousand (-2.12%). A change of -25 basis points in the salary base would result in a reduction in the liability of € 572 thousand (-0.64%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of € 586 thousand (+0.65%).

With reference to the provision for contractual payments, a change of -25 basis points in the discount rate would result in an increase in liabilities of € 3.3 thousand (+1.51%); an equivalent increase in the rate, on the other hand, would reduce the liability by € 3.2 thousand (-1.46%). A change of -/+25 basis points in the salary base would not entail any significant change in the liability.

In addition, for the other provisions recognised in the financial statements on the basis of IAS 37, where the effect of the time value of money is significant (generally when payment is to be made more than 18 months from recognition), the amount of the provision should be the present value of the best estimate of the cost required to settle the obligation. The discount rate used reflects the current market assessments. As at December 31, 2023 an analysis was conducted to assess the impact on the provision on “Legal and fiscal disputes' and “Other provisions” (with the exception of the supplementary customer indemnity and contractual payment, for which the relating sensitivity analyses have been described above) is made of a variation of - 25 basis points in the discount rate would increase the liability by € 192.9 thousand (+0.15%); an equivalent increase in the rate, on the other hand, would decrease the liability by € 190.6 thousand (-0.15%).

The **Provision for legal disputes** includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties. In addition to the costs incurred by the Bank in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Bank in ongoing disputes. This estimate was determined by the Bank in relation to the ongoing litigation, mainly on the basis of the Forensic Tariffs envisaged by current legislation.

The **Provision for tax disputes** is allocated to cover tax demands received from the Italian Revenue Agency following tax audits carried out on the Bank over the years, in relation to which the Bank considers it has calculated the tax correctly and legitimately and has therefore submitted an appeal at various levels of proceedings.

The above mentioned provision for risks and charges include the allocations for fines and interest for the additional tax being contested and requested by the Tax Authorities through tax bills or payment notices paid and for the estimated amount of legal expenses to be incurred in the various proceedings.

For more details, see Part E – Information on risks and hedging policies – Section 1.5 – Operational risk – paragraph "Risks arising from tax disputes and audits" of these notes to the accounts.

The **Provision for staff expenses** includes provisions made in relation to the variable remuneration to be paid to employees in subsequent years which have an uncertain due date and amount.

The **Supplementary customer indemnity provision** is accrued to cover the amount of severance indemnity to be paid to the PFA network pursuant to art. 1751 of the Italian Civil Code, in the event of termination of the contract for reasons not attributable to the advisor, such as, for example, when reaching retirement age. The amount of the obligation at the end of the period was assessed with the aid of an independent actuary, in accordance with the provisions of IAS 19.

The **Provision for contractual payments,** relating to a specific cluster of personal financial advisors, is constituted against a special indemnity that the Bank agrees to pay to personal financial advisors, who opted to transfer the rights and obligations arising from their contract with the Bank to third parties, where these advisors continue to keep an ethical and professional conduct with the Bank after termination of employment, with specific regard to the customer portfolio. The amount of the obligation at the end of the period relating to contractual payments was assessed with the aid of an independent actuary.

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The **Other Provisions** are mainly allocated to cover the risks related to the business and operations of the Bank, including, in particular, the obligations arising from the cost rebalancing agreement that the Parent Company signed with the other distributing banks as part of the operation aimed at protecting Eurovita policyholders described above and the provisions for training events for financial advisors.

Section 11 - Redeemable shares - Item 120

No data to report.

Section 12 - Shareholders' equity - Items 110, 130, 140, 150, 160, 170 and 180

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

As at December 31st, 2023, share capital came to € 201,508 thousand, comprising 610,631,635 ordinary shares with a par value of € 0.33 each.

The Board of Directors of FinecoBank on February 7, 2023, considering the positive result of the verification of the minimum conditions of access at the Group level and the individual ones (behavior compliance and continuous employment), as well as the favourable opinion of the Remuneration Committee meeting on February 6, 2023, approved:

- the allocation:
  - the allocation of the fourth share tranche of the 2017 plan, awarded in 2018, corresponding to 27,426 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 9th, 2017, and subsequent meeting held on January 10th 2018;
  - the allocation of the third share tranche of the 2018 plan and of the fourth share tranche of the severance payment agreed in 2018 for an executive with strategic responsibility, awarded in 2019, corresponding to overall 42,049 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2018;
  - the allocation of the second and third share tranche of the 2019 plan, awarded in 2020, corresponding to 33,898 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2019;
  - the allocation of the second share tranche of the 2020 plan, awarded in 2021, corresponding to 1,908 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 15th, 2020;
  - the allocation of the first share tranche of the 2021 plan, awarded in 2022, corresponding to 64,324 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 19th, 2021;

  and, consequently, a free capital increase effective from March 31st, 2023 for a total amount of € 56 thousand corresponding to 169,605 free FinecoBank ordinary shares with a nominal value of € 0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 11th 2018, April 10th 2019, April 28th 2020 and April 28th 2021 pursuant to Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.03% of the fully diluted capital;
- the allocation of the first, second and third tranches in shares of the “2018-2020 Long Term Incentive Plan” for the FinecoBanks’ employees, granted in 2018 and corresponding to 342,170 free ordinary FinecoBank shares, and, consequently, a free share capital increase in the total amount of € 113 thousand effective March 31, 2023 in partial exercise of the delegation of authority to the Board of Directors granted by the Extraordinary Shareholders' Meeting of April 11, 2018 pursuant to Article 2443 of the Civil Code.

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

As at December 31st, 2023, the Bank held in the portfolio 91,459 FinecoBank ordinary shares, in order to execute the PFA incentive plans of the Bank, corresponding to 0.015% of the share capital, for an amount of € 1,243 thousand. During 2023 n. 31,000 shares, for an amount of € 519 thousand, were purchased in relation to the 2022 incentive system for personal financial advisors identified as “Key personnel” and n. 3,435, n. 8,227, n. 12,781, n. 45,380 and n. 6,197 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the 2018, 2019, 2020 and 2021 incentive systems and to the 2018-2020 long term incentive plan, for an amount of € 990 thousand.

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(Amounts in € thousand)

	Total 12/31/2023	Total 12/31/2022
Share capital	201,508	201,340
Share premium reserve	1,934	1,934
Reserves	855,420	750,045
(Treasury shares)	(1,243)	(1,714)
Revaluation reserves	(6,730)	2,121
Equity instruments	500,000	500,000
Net Profit (Loss) for the year	604,498	421,985
Total	**2,155,387**	**1,875,711**

12.2 Share capital - Number of shares: annual changes

Items/Type	Ordinary	Others
A. Shares outstanding at the beginning of the year	**609,983,381**	**-**
- fully paid	610,119,860	-
- not fully paid	-	-
A.1 treasury shares (-)	(136,479)	-
A.2 Shares outstanding: Opening balance	**609,983,381**	**-**
B. Increases	**587,795**	**-**
B.1 New issues	511,775	-
- against payment:	-	-
- business combination	-	-
- bonds converted	-	-
- warrants exercised	-	-
- others	-	-
- free:	511,775	-
- to employees	500,667	-
- to directors	-	-
- others	11,108	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	76,020	-
C. Decreases	**(31,000)**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(31,000)	-
C.3 Business tranferred	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**610,540,176**	**-**
D.1 Treasury shares (+)	91,459	-
D.2 Shares outstanding at the end of the year	610,631,635	-
- fully paid	610,631,635	-
- not fully paid	-	-

The item B.3 “Other changes” reports the shares allocated to the personal financial advisors as “identified staff under the stock granting 2018, 2019, 2020 and 2021 and 2018-2020 long term incentive plan.

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12.3 Share capital: other information

The shares are not subject to any right, privilege or constraint; there are no shares reserved for issue under option and sales contracts.

12.4 Reserves from allocation of profit from previous years: other information

The reserves from profits consist of the:

- Legal reserve, amounting to € 40,302 thousand;
- Reserve for treasury shares held, amounting to € 1,243 thousand;
- Reserves of unavailable profits pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 2,214 thousand;
- Other reserves from profits, amounting to € 765,888 thousand, of which € 86,354 thousand subject to a taxability restriction in the event of distribution, allocated following the tax realignment of goodwill provided for by article 110 of Decree-Law 104 of 2020.

As previously mentioned in para. 12.1 "Share capital and Treasury shares: breakdown", the Board of Directors of FinecoBank held on February 7th, 2023 approved execution of the incentive systems with a consequent increase in share capital, against with the reserves from profits have been reduced for an amount of € 169 thousand, in particular, the reserve related to the medium-long term incentive scheme for FinecoBank's personnel, set up with the available extraordinary reserve, was used. The extraordinary reserve was also used for the payment of costs directly attributable to the aforementioned capital increase operations, for an amount of € 6 thousand net of the related taxes.

As previously mentioned in para. 12.1 "Share capital and Treasury shares: breakdown", during 2023 n. 31,000 shares, for an amount of € 519 thousand, were purchased in relation to the 2022 incentive system" for personal financial advisors identified as "Key personnel" and n. 3,435, n. 8,227, n. 12,781, n. 45,380 and n. 6,197 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the incentive system 2018, 2019, 2020 and 2021 and the 2018-2020 long term incentive plan for Financial Advisors Identified Staff, for an amount of € 990 thousand. Consequently, the Reserve for treasury shares reduced by a total of € 471 thousand, with a simultaneous increase in the Extraordinary reserve.

The FinecoBank Shareholders' Meeting of April 27, 2023 approved the allocation of profit for the year 2022 of FinecoBank S.p.A. amounting to € 421,985 thousand, as follows:

- to the 610,631,635 ordinary shares with a par value of € 0.33, constituting the share capital including 511,775 shares related to the capital increase to support the employee incentive system approved by the Board of Directors on February 7, 2023, a unit dividend of € 0.49 totaling € 299,210 thousand;
- € 34 thousand to the Legal reserve, corresponding to 0.008% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 721 thousand to the reserve of unavailable pursuant to article 6 paragraph 2 of Legislative Decree 38/2005:
- € 122,021 thousand to the extraordinary reserves.

The same Shareholders' Meeting also approved the elimination of the negative reserve arising from the valuation of equity securities designated at fair value with an impact on comprehensive income by hedging the same with the use of the available extraordinary reserve in the amount of €136.77. This reserve had been recognised following the sale transaction, effective as of 27 September 2022, of the 20 shares of UniCredit Services S.C.p.A., held by FinecoBank for an amount of € 172.37 and sold for an amount of € 35.6.

In addition, during 2023, Extraordinary Reserve has been reduced for the amount, net of taxes, of the coupons paid to holders of the Additional Tier 1 financial instrument issued by the Bank on January 31st, 2018, for € 8,834 thousand, and the Additional Tier 1 financial instrument issued on July 11th, 2019, for an amount of € 12,778 thousand, and has been increased by the portion of dividends not distributed in respect of the Bank's treasury shares held on the record date, amounting to € 45 thousand.

Information on the availability and distribution of shareholders' equity

In accordance with art. 2427, paragraph 7-bis of the Italian Civil Code, and according to document no. 1 issued by the Italian Accounting Body on October 25, 2004, a detailed description of equity items is provided below, with a breakdown in terms of availability, eligibility for distribution and use in the last three years.

(Amounts in € thousand)

Type/description	Amount	Possibile use	Amount available		Summary of the amounts used in the past three years	
					To cover losses	For other reasons
Share capital	201,508					
Equity instruments	500,000					
Share premium reserve	1,934	A, B, C	1,934	(1)		
Reserves:						
Legal reserve	40,302	B	40,302			
Extraordinary reserve	679,535	A, B, C	679,535			387,842*
Extraordinary reserve in suspension of taxation	86,354	A, B	86,354	(2)		
Reserve related to equity-settled plans	45,773	A, B, C	28,804			7,707
Reserve for treasury shares	1,243					
Reserves of unavailable profits (art. 6 para. 2 of Legislative Decree 38/2005)	2,214	B	2,214	(3)		
Revaluation reserves:						
Revaluation reserves for financial assets at fair value through comprehensive income	(2,596)			(4)		
Revaluation reserves for actuarial gains (losses) from defined benefit plans	(4,137)					
Revaluation reserve: amount of revaluation reserves pertaining to equity method investments	2					
TOTAL	**1,552,132**		**839,142**			
Undistributable amount			128,870			
Distributable amount			710,272			

Key:
A: for capital increase.
B: to cover losses.
C: for distribution to shareholders.

Note:
(1) Pursuant to Article 2431 of the Civil Code, the sum total of this reserve may be distributed only on condition that the legal reserve has reached the limit set in Article 2430 of the Civil Code.
(2) The reserve, in the amount of €86,354,000, is subject to a taxability restriction in the event of distribution, as a result of the tax realignment of goodwill under Article 110 of Legislative Decree 104 of 2020.The reserve, amounting to €86,354 thousand, is subject to a taxability restriction in the event of distribution, following the tax realignment of goodwill provided for by Article 110 of Legislative Decree 104 of 2020.
(3) The reserve can be used to cover losses for the year only after using the available profit reserves and the legal reserve as established by Article 6 of Legislative Decree 38/05. In this case it is replenished by setting aside the profits of subsequent years.
(4) The reserve, when positive, is not available pursuant to article 6 of Legislative Decree 38/2005.
* Includes the related utilisations of the "Reserve connected to the medium-long term incentive scheme for FinecoBank's Personnel", established through the "Extraordinary Reserve".

The above table shows that the distributable amount is € 710,272 thousand, corresponding to the reserves in respect of which letter C has been indicated in the column "Possible use". It should be noted that the distributable amount does not include the profit for the 2023 financial year, the allocation of which will be subject to approval by the Shareholders' Meeting of April 24th, 2024.

The uses of the reserves made in the previous three years are shown in detail below.

<u>2020 financial year:</u>

- use of the "Extraordinary reserve" for a total of € 211 thousand for the capital increase of the fourth tranche of the “2014-2017 Multi-year Plan Top Management”, the fourth tranche of the 2014 incentive system, the third tranche of the 2015 incentive system, the second tranche of the 2016 incentive system the first tranche of the 2017 incentive system and the first share tranche of the severance agreed in 2018 for a manager with strategic responsibilities, allocated in 2019, as well as the costs directly attributable to the aforementioned capital increase transactions, for an amount of € 15 thousand net of the related taxation;
- use of the “Extraordinary reserve” for the payment of coupons of the Additional Tier 1 financial instrument issued on January 31st, 2018, in the amount of € 6,989 thousand net of related taxes, and of the Additional Tier 1 financial instrument issued on July 11th, 2019, in the amount of € 12,778 thousand net of related taxes;
- use of the "Extraordinary reserve" for € 4,868 thousand to cover the negative reserve arising from the first-time adoption of IFRS 9;

- use of the “Reserve related to equity settled plans” for € 6,561 thousand following the allocation to the Bank's Financial Advisors and Network Managers of ordinary FinecoBank shares held in portfolio, as part of the third tranche of the "2015-2017 PFA PLAN" stock granting plan, the second tranche of the 2016 incentive system plan and the first tranche of the 2017 incentive system plan.

2021 financial year:

- use of the "Extraordinary reserve" for a total of € 323,247 thousand for the payment of a unit dividend of € 0.53, approved by the Shareholders' Meeting on October 21st, 2021
- use of the "Reserve connected to the medium/long-term incentive scheme for FinecoBank Personnel", established through the "Extraordinary reserve" for a total of € 114 thousand for the capital increase of the fourth tranche of the 2015 incentive scheme, the third tranche of the 2016 incentive scheme, the second tranche of the 2017 incentive scheme, the first tranche of the 2018 incentive scheme, of the first tranche of the 2019 incentive system, of the first tranche of the 2018-2020 long-term incentive plan reserved for employees and of the second share tranche of the severance agreed in 2018 for an executive with strategic responsibilities, allocated in 2019, as well as the costs directly attributable to the aforementioned capital increase transactions, in the amount of € 6 thousand net of the related taxation;
- use of the "Extraordinary reserve" for the payment of coupons of the Additional Tier 1 financial instrument issued on January 31st, 2018, in the amount of € 6,989 thousand net of the related taxation, and of the Additional Tier 1 financial instrument issued on July 11th, 2019, in the amount of € 12,778 thousand net of the related taxation;
- use of the "Reserve related to Equity settled plans" for € 570 thousand following the allocation to the Bank's Financial Advisors and Network Managers of ordinary FinecoBank shares held in portfolio, as part of the third tranche of the "Incentive System 2016 PFA" plan, the second tranche of the incentive system 2017 plan, the first tranche of the incentive system 2018 plan and the first tranche of the incentive system 2019 plan.

2022 financial year:

- use of the "Reserve connected to the medium/long-term incentive scheme for FinecoBank Personnel", established through the "Extraordinary reserve" for a total of € 73 thousand for the capital increase of the fourth tranche of the 2016 incentive scheme, the third tranche of the 2017 incentive scheme, the second tranche of the 2018 incentive scheme, the second tranche of the 2019 incentive scheme, the first tranche of the 2020 incentive scheme, the second tranche of the 2018-2020 long-term incentive plan reserved for employees and of the third share tranche of the severance agreed in 2018 for an executive with strategic responsibilities, allocated in 2019, as well as the costs directly attributable to the aforementioned capital increase transactions, in the amount of € 7 thousand net of the related taxation;
- use of the "Extraordinary reserve" for the payment of coupons of the Additional Tier 1 financial instrument issued on January 31st, 2018, in the amount of € 6,989 thousand net of the related taxation, and of the Additional Tier 1 financial instrument issued on July 11th, 2019, in the amount of € 12,778 thousand net of the related taxation;
- use of the "Reserve related to Equity settled plans" for € 576 thousand following the allocation to the Bank's Financial Advisors and Network Managers of ordinary FinecoBank shares held in portfolio, as part of the third tranche of the "Incentive System 2017 PFA" plan, the second tranche of the incentive system 2018 plan, the second tranche of the incentive system 2019 plan and the first tranche of the incentive system 2020 plan.

12.5 Equity instruments: breakdown and annual changes

Equity instruments includes the following financial instrument:

- Additional Tier 1 issued on January 31st, 2018. The financial instrument is a perpetual private placement[34], issued for a total of € 200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%. Starting from 3 June 2023 and for the next five years, the coupon was set at 7.363%;
- Additional Tier 1 issued on July 11st, 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin’s non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of € 300 million. The coupon for the first 5 years has been fixed at 5.875%.

No Equity Instruments were issued during the 2023 financial year.

12.6 Other information

No data to report.

[34] Unrated and unlisted

Part B – Balance sheet

OTHER INFORMATION

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

1. Commitments and financial guarantees issued (other than those designated at fair value)

(Amounts in € thousand)

	Nominal value of commitments and financial guarantees given				Total 12/31/2023	Total 12/31/2022
	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired financial assets		
1. Commitment to supply funds	**286,043**	**317**	**187**	**-**	**286,547**	**16,747**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	262,427	-	-	-	262,427	13
e) Non-financial companies	-	-	-	-	-	59
f) Families	23,616	317	187	-	24,120	16,675
2. Financial guarantees issued	**28,318**	**-**	**-**	**-**	**28,318**	**28,685**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	17,170	-	-	-	17,170	17,170
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	85	-	-	-	85	-
f) Families	11,063	-	-	-	11,063	11,515

The commitments to supply funds to Families mainly include the securities lending transactions secured by sums of money that fall within the full economic availability of the lender to be settled, while commitments to disburse funds to other financial companies mainly include the undrawn portion of the loan granted to Cronos Vita Assicurazioni S.p.A.

Financial guarantees given to banks include banks include the guarantees issued in 2012 to the Italian Revenue Agency on request of UniCredit S.p.A., with indefinite duration, for a total amount of € 17,166 thousand (€ 17,166 thousand as at December 31st, 2022).

Part B – Balance sheet

2. Other commitments and other guarantees given

(Amounts in € thousand)

	Nominal amount Total 12/31/2023	Nominal amount Total 12/31/2022
1. Other guarantees given		
of which: impaired	-	-
a) Central Banks	-	-
b) Governments	-	-
c) Banks	-	-
d) Other financial companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
2. Other commitments	**2,354,551**	**2,330,931**
of which: impaired	130	101
a) Central Banks	-	-
b) Governments	-	-
c) Banks	3,096	2,502
d) Other financial companies	21,459	19,492
e) Non-financial companies	2,191	2,525
f) Households	2,327,805	2,306,412

Other commitments refer to the margins available on revocable credit lines granted to customers and spot sales of securities to be settled in times established by market practices ("regular way").

3. Assets given as collateral for own liabilities and commitments

(Amounts in € thousand)

Portfolios	Amounts 12/31/2023	Amounts 12/31/2022
1. Financial assets at fair value through profit and loss	-	13
2. Financial assets at fair value through other comprehensive income	-	-
3. Financial assets at amortized cost	2,987,910	4,946,516
4. Property, plant and equipment	-	-
of which: Property, plant and equipment material assets that constitute inventories	-	-

Assets given as collateral for own liabilities and commitments shown in the above table refer to:

- debt securities, mainly government bonds, and to a lesser extent equity securities, pledged as collateral of repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of said transaction. The securities are given as collateral for the entire duration of the transaction;
- debt securities, mainly government bonds, pledged as collateral for bankers' drafts, as guarantee for transactions with the Cassa di Compensazione e Garanzia, to guarantee the operation in foreign markets and/or as guarantee for transactions in derivatives. Securities are used as collateral until the Group decides to stop the transactions for which the collateral or guarantees are granted;
- variation margins, initial margins and guarantee deposits, including the default fund, against transactions in derivative contracts and financial instruments;
- debt securities issued by UniCredit S.p.A. given as collateral in securities lending transactions carried out with customers. The securities are given as collateral for the entire duration of the transaction.

Part B – Balance sheet

As described above, it should be noted that the item "Financial assets measured at amortised cost" includes variation margins, initial margins and guarantee deposits, including the default fund, against transactions in derivative contracts and financial instruments; these assets were not included in the table "3. Assets given as collateral for own liabilities and commitments" published in the 2022 Financial Statements, whose value, totalling € 301,154 thousand, was reported at the bottom of the same. For consistency of comparison, the 2022 comparative figure was restated.

4. Asset management and trading on behalf of others

(Amounts in € thousand)

Type of service	Total 12/31/2023
1. Execution of orders for customers	**399,165,683**
Securities	**124,543,028**
a) purchases	68,427,483
1. settled	67,744,721
2. unsettled	682,762
b) sales	56,115,545
1. settled	55,525,791
2. unsettled	589,754
Derivative contracts	**274,622,655**
a) purchases	137,254,796
1. settled	136,847,031
2. unsettled	407,765
b) sales	137,367,859
1. settled	136,977,976
2. unsettled	389,883
2. Segregated accounts	**-**
3. Custody and administration of securities	
a) third party securities on deposits: relating to custodian bank activities (excluding segregated accounts)	-
1. securities issued by the bank preparing the accounts	-
2. other securities	-
b) third party securities held in deposits (excluding segregated accounts): other	31,601,180
1. securities issued by the bank preparing the accounts	8,256
2. other securities	31,592,924
c) third-party securities deposited with third parties	31,601,180
d) own securities deposited with third parties	21,743,828
4. Other transactions	**32,885,646**
Order receipt and transmission	32,885,646
a) purchases	16,724,771
b) sales	16,160,875

5. Financial assets subject to accounting offsetting or master netting agreements or similar agreements

(Amounts in € thousand)

Type		Gross amount of financial assets (a)	Amount of financial liabilities offset in the financial statements (B)	Net amount of financial assets shown in the financial statements (c=a-b)	Related amounts not recognised in balance sheet		Net amounts (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposit received as guarantee (e)	12/31/2023	12/31/2022
1. Derivatives		896,577	-	896,577	59,988	810,795	25,794	-
2. Reverse repos		2,317,105	2,313,830	3,275	3,275	-	-	-
3. Securities lending		397	-	397	397	-	-	10
4. Others		-	-	-	-	-	-	-
Total	**12/31/2023**	**3,214,079**	**2,313,830**	**900,249**	**63,660**	**810,795**	**25,794**	**X**
Total	**12/31/2022**	**4,326,379**	**2,632,369**	**1,694,010**	**66,110**	**1,627,890**	**X**	**10**

6. Financial liabilities subject to accounting offsetting or master netting agreements or similar agreements

(Amounts in € thousand)

Type		Gross amount of financial liabilities (a)	Amount of financial assets offset in the financial statements (b)	Net amount of financial liabilities shown in the financial statements (c=a-b)	Related amounts not subject to accounting offsetting		Net amount (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposit received as guarantee (e)	12/31/2023	12/31/2022
1. Derivatives		59,988	-	59,988	59,988	-	-	-
2. Reverse repos		2,313,880	2,313,830	50	50	-	-	62,993
3. Securities lending		78,164	-	78,164	73,168	3,007	1,989	6,555
4. Others		-	-	-	-	-	-	-
Total	**12/31/2023**	**2,452,032**	**2,313,830**	**138,202**	**133,206**	**3,007**	**1,989**	**X**
Total	**12/31/2022**	**3,620,474**	**2,632,369**	**988,105**	**918,557**	**-**	**X**	**69,548**

IFRS 7 requires specific disclosures to be made about financial instruments that have been offset in the balance sheet in accordance with IAS 32 or that are potentially eligible for offsetting, if certain conditions are met, but are disclosed in the balance sheet without offsetting because they are governed by master netting or similar agreements that do not meet all of the criteria set out in IAS 32, paragraph 42.

In this regard, it should be noted that FinecoBank enters into repurchase agreements on the Repo MTS market, governed by an agreement with Cassa Compensazione e Garanzia and the related Regulation for the centralised clearing of transactions, which meet the requirements of IAS 32, paragraph 42 for offsetting in the balance sheet. The effects of netting are reported under item 2. Repos.

With regard to instruments that can be potentially offset, upon the occurrence of certain events, FinecoBank uses bilateral netting agreements that allow, in the event of counterparty default, the offsetting of credit and debit positions relating to financial derivatives and SFT (Securities Financing Transactions). In particular, there are ISDA Master Agreements (promoted by the International Swaps and Derivatives Association for derivative transactions), GMRA (Global Master Repurchase Agreement for repurchase agreements) and GMSLA (Global Master Securities Lending Agreement for securities lending transactions). It should also be noted that the derivative contracts included in item 1. Derivatives are subject to clearing with a Central Counterparty and cash collateral is exchanged.

Part B – Balance sheet

7. Securities lending transactions

The Bank conducts securities lending transactions on a continuous and systematic basis, with the objective of satisfying the requests of its customers, of institutional counterparties and obtaining a profit. The Bank operates either as a borrower, borrowing securities from its customers, or as a lender, using the borrowed securities for cash-secured securities lending transactions with retail and institutional customers interested in temporary ownership of securities or lending proprietary securities, without collateral or with collateral represented by other securities, to institutional customers interested in temporary ownership.

Against securities lending transactions guaranteed by other securities carried out by the Bank as a borrower with retail customers ("remunerated Portfolio"), the Bank issued as collateral UniCredit S.p.A. bonds, recorded in "Financial asset at amortised cost", held in a dedicated dossier at the custodian bank for an amount higher than that of the securities borrowed by the customers, with the aim of providing a collective guarantee.

The face value of the underlying securities received on a loan and not recognised as assets in the accounts totalled € 98,417 thousand, for a fair value of € 152,470 thousand, as detailed in the table below. Securities borrowed under securities lending transactions secured by sums of money at the lender's full disposal, which are equivalent to repurchase agreements on securities, recognised in Financial assets measured at amortised cost, are excluded.

The carrying amount of own securities recognised in Financial assets at amortised cost and delivered in securities lending transactions without collateral or with collateral represented by other securities is € 824,236 thousand.

(Amounts in € thousand)

Securities received on loan from:	Type of securities - Nominal value as at 31 December 2023		
	Sold	Sold in repos	Other purposes
Banks			
Financial companies		1	
Insurance companies			
Non-financial companies		1,213	2
Other entities	573	89,349	7,280
Total nominal value	**573**	**90,563**	**7,282**

(Amounts in € thousand)

Securities received on loan from:	Type of securities - Fair value as at 31 December 2023		
	Sold	Sold in repos	Other purposes
Banks			
Financial companies	28	214	
Insurance companies			
Non-financial companies	55	1,347	12
Other entities	1,948	133,551	15,315
Total fair value	**2,031**	**135,112**	**15,327**

8. Disclosure on joint control activities

No data to report.

Part C - Income statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

(Amounts in € thousand)

Items/Technical forms	Debt securities	Loans	Other operations	Total 2023	Total 2022
1. Financial assets at fair value though profit and loss:	**5**	**-**	**-**	**5**	**6**
1.1 Financial assets held for trading	-	-	-	-	1
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily at fair value	5	-	-	5	5
2. Financial assets at fair value through other comprehensive income	**252**	**-**	**X**	**252**	**212**
3. Financial assets at amortised cost:	**289,362**	**193,530**	**X**	**482,892**	**330,408**
3.1 Loans and receivables to banks	59,678	9,918	X	69,596	52,003
3.2 Loans and receivables to customers	229,684	183,612	X	413,296	278,405
4. Hedging derivatives	**X**	**X**	**211,861**	**211,861**	**(5,358)**
5. Other assets	**X**	**X**	**81,912**	**81,912**	**19,617**
6. Financial liabilities	**X**	**X**	**X**	**170**	**12,291**
Total	**289,619**	**193,530**	**293,773**	**777,092**	**357,176**
of which: income interests on impaired financial assets	-	235	-	235	219
of which: interest income on financial lease	X	-	X	-	-

The TLTRO III transactions were repaid in full during the financial year 2022. Interest accrued as at 31 December 2022, reported under item 6. "Financial liabilities", amounted to € 6,478 thousand.

1.2 Interest income and similar revenues: other information

1.2.1 Interest income from financial assets denominated in currency

(Amounts in € thousand)

Items/Type	Total 2023	Total 2022
Interest income on foreign currency financial assets	37,273	14,177

Part C - Income statement

1.3 Interest expenses and similar charges: breakdown

(Amounts in € thousand)

Items/Technical forms	Debts	Securities	Other operations	Total 2023	Total 2022
1. Financial liabilities at amortized cost	(78,148)	(15,188)	X	(93,336)	(16,126)
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(42,742)	X	X	(42,742)	(5,330)
1.3 Deposits from customers	(35,406)	X	X	(35,406)	(7,635)
1.4 Debt securities in issue	X	(15,188)	X	(15,188)	(3,161)
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(1,227)	(3,286)
Totale	**(78,148)**	**(15,188)**	**-**	**(94,563)**	**(19,412)**
of which: interest expenses on lease liabilities	(1,351)	X	X	(1,351)	(1,008)

1.4 Interest expenses and similar charges: other information

1.4.1 Interest expenses on liabilities denominated in currency

(Amounts in € thousand)

Items/Type	Total 2023	Total 2022
Interest expense on liabilities denominated in currency	(17,168)	(5,295)

1.5 Hedging differential

(Amounts in € thousand)

Items	Total 2023	Total 2022
A. Positive hedging differentials	441,935	139,349
B. Negative hedging differentials	(230,074)	(144,707)
C. Balance (A-B)	**211,861**	**(5,358)**

Part C - Income statement

Section 2 – Fees and commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

(Amounts in € thousand)

Type of service/Values	Total 2023	Total 2022
a) Financial instruments	131,116	127,302
1. Securities placement	13,953	13,859
1.1 Under firm assumption and/or on the basis of an irrevocable commitment	-	-
1.2 Without firm commitment	13,953	13,859
2. Receipt and transmission of orders and execution for customers	90,081	88,143
2.1 Receipt and transmission of orders for one or more financial instruments	24,391	25,748
2.2 Execution of orders on behalf of customers	65,690	62,395
3. Other fees connected with activities related to financial instruments	27,082	25,300
of which: trading on own account	27,082	25,300
of which: management of individual portfolios	-	-
b) Corporate Finance	-	-
1. Merger and Acquisition Advice	-	-
2. Treasury services	-	-
3. Other fees associated with corporate finance services	-	-
c) Investment advisory activities	75,054	72,312
d) Clearing and settlement	-	-
e) Custody and administration	1,391	1,539
1. Custodian bank	-	-
2. Other fees related to custody and administration	1,391	1,539
f) Central administrative services for collective portfolio management	-	-
g) Trust business	-	26
h) Payment services	84,193	83,482
1. Current account	17,703	24,999
2. Credit cards	37,243	32,035
3. Debit and other payment cards	17,536	15,813
4. Wire transfers and other payment orders	11,711	10,635
5. Other fees related to payment services	-	-
i) Distribution of third party services	454,198	441,609
1. Collective portfolio management	335,599	322,239
2. Insurance products	112,394	115,525
3. Other products	6,205	3,845
of which: individual portfolio management	3,745	3,615
j) Structured Finance	-	-
k) Servicing for securitization transactions	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees issued	103	87
of which: credit derivatives	-	-
n) Financing operations	342	273
of which: for factoring transactions	-	-
o) Currency trading	-	-
p) Goods	-	-
q) Other commission income	1,130	1,356
of which: for management activities of multilateral trading systems	-	-
of which: for management activities of organized trading systems	-	-
r) Securities lending transactions	9,538	9,327
Total	**757,065**	**737,313**

Part C - Income statement

The amount of fees and commissions recognized in 2023 that was included in the contract liability balance at the beginning of the year is equal to € 1,516 thousand (€ 1,372 thousand in 2022).

Lastly, it should be noted that item i) "Distribution of third party services 1. Collective portfolio management" also includes the maintenance commissions for UCITS equal to € 325,756 thousand (€ 314,138 thousand in 2022).

2.2 Fee and commission income: distribution channels for products and services

(Amounts in € thousand)

Channel/Amounts	Total 2023	Total 2022
b) at own branches:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
b) cold-calling:	**451,257**	**438,907**
1. portfolio management	-	-
2. placement of securities	10,948	11,812
3. third-party services and products	440,309	427,095
c) other distribution channels:	**16,894**	**16,561**
1. portfolio management	-	-
2. placement of securities	3,005	2,047
3. third-party services and products	13,889	14,514

The fee and commission income described in point (c) "other distribution channels" refer to commissions earned through the online channel and also include fees and commissions collected by product companies and placement and maintenance commissions from the online subscription of units of UCITS and insurance products.

Part C - Income statement

2.3 Fee and commission expenses: breakdown

(Amounts in € thousand)

Services/Amounts	Total 2023	Total 2022
a) Financial instruments	(10,853)	(10,335)
of which: trading of financial instruments	(10,853)	(10,335)
of which: placement of financial instruments	-	-
of which: management of individual portfolios	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	(5,619)	(5,495)
c) Custody and administration	(4,594)	(4,287)
d) Payment and collection services	(27,429)	(24,036)
of which: credit cards, debit cards and other payment cards	(19,443)	(17,296)
e) Servicing activities for securitization transactions	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	-	-
of which: credit derivatives	-	-
h) Off-site offering of financial instruments, products and services	(367,210)	(359,680)
i) Currency trading	-	-
j) Other commission expenses	(1,991)	(565)
k) Securities lending transactions	(1,173)	(1,057)
Total	**(418,869)**	**(405,455)**

Item "h) Off-site offering of financial instruments, products and services", includes costs incurred in relation to Equity Settled plans assigned to personal financial advisors, that are respectively recorded against the item 140. "Reserves" of the net equity for an amount of € 553 thousand (€ 616 thousand in 2022).

Section 3 – Dividend income and similar revenues – Item 70

3.1 Dividend income and similar revenues: breakdown

(Amounts in € thousand)

Items/Income	Total 2023		Total 2022	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	176	2	164	1
B. Other financial assets mandatorily at fair value	48	-	41	-
C. Financial assets at fair value through other comprehensive income	-	-	-	-
D. Equity investments	113,693	-	97,202	-
Total	**113,917**	**2**	**97,407**	**1**

Item D. Equity Investments only includes dividends received by Fineco AM.

Part C - Income statement

Section 4 – Gains (losses) on financial assets and liabilities held for trading – Item 80

4.1 Gains (losses) on financial assets and liabilities held for trading: breakdown

2023

(Amounts in € thousand)

Transactions/Income items	Unrealised gain (A)	Realized gains (B)	Unrealized losses (C)	Realized losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	**202**	**38,939**	**(100)**	**(25,287)**	**13,754**
1.1 Debt securities	-	2,322	-	(1,984)	338
1.2 Equity instruments	202	36,017	(100)	(22,790)	13,329
1.3 UCITS units	-	600	-	(513)	87
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**8**	**874**	**(40)**	**(1,125)**	**(283)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	8	874	(40)	(1,125)	(283)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**18,448**
4. Derivatives	**7,446**	**187,296**	**(8,235)**	**(157,872)**	**34,353**
4.1 Financial derivatives:	7,446	187,296	(8,235)	(157,872)	34,353
- On debt securities and interest rates	144	2,190	(171)	(2,009)	154
- On equity securities and share indices	7,198	162,597	(7,977)	(138,480)	23,338
- On currency and gold	X	X	X	X	5,718
- Others	104	22,509	(87)	(17,383)	5,143
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	**7,656**	**227,109**	**(8,375)**	**(184,284)**	**66,272**

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2022

(Amounts in € thousand)

Transactions/Income items	Unrealised gain (A)	Realized gains (B)	Unrealized losses (C)	Realized losses (D)	Net profit (loss) [(A+B) - (C+D)]
1. Financial assets held for trading	**240**	**46,117**	**(420)**	**(35,997)**	**9,940**
1.1 Debt securities	-	2,960	-	(2,296)	664
1.2 Equity instruments	232	42,365	(419)	(33,033)	9,145
1.3 UCITS units	8	792	(1)	(668)	131
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**4**	**498**	**(5)**	**(365)**	**132**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	4	498	(5)	(365)	132
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**19,827**
4. Derivatives	**8,864**	**246,878**	**(7,399)**	**(204,941)**	**48,069**
4.1 Financial derivatives:	8,864	246,878	(7,399)	(204,941)	48,069
- On debt securities and interest rates	126	2,345	(108)	(2,257)	106
- On equity securities and share indices	8,646	201,478	(7,147)	(167,755)	35,222
- On currency and gold	X	X	X	X	4,667
- Others	92	43,055	(144)	(34,929)	8,074
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	**9,108**	**293,493**	**(7,824)**	**(241,303)**	**77,968**

Section 5 – Fair value adjustments in hedge accounting – Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

(Amounts in € thousand)

Income items/Amounts	Total 2023	Total 2022
A. Gains on:		
A.1 Fair value hedging instruments	35,933	1,619,135
A.2 Hedged asset items (in fair value hedge relationship)	500,998	-
A.3 Hedged liability items (in fair value hedge relationship)	141	74,882
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**537,072**	**1,694,017**
B. Losses on:		
B.1 Fair value hedging instruments	(508,426)	(74,991)
B.2 Financial assets items (in fair value hedge relationship)	-	(1,606,819)
B.3 Hedged liability items (in fair value hedge relationship)	(35,797)	-
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(544,223)**	**(1,681,810)**
C. Fair value adjustments in hedge accounting (A-B)	**(7,151)**	**12,207**
of which: net profit (loss) on net position	-	-

Part C - Income statement

Section 6 – Gains (Losses) on disposals/repurchases – Item 100

6.1 Gains (Losses) on disposals/repurchases: breakdown

(Amounts in € thousand)

Items/Income items	Total 2023			Total 2022		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
A. Financial assets						
1. Financial assets at amortized cost	33,204	(32,996)	208	49,137	(42)	49,095
1.1 Loans and receivables to banks	-	(287)	(287)	-	-	-
1.2 Loans and receivables to customers	33,204	(32,709)	495	49,137	(42)	49,095
2. Financial assets at fair value through other comprehensive income	-	-	-	309	-	309
2.1 Debt securities	-	-	-	309	-	309
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**33,204**	**(32,996)**	**208**	**49,446**	**(42)**	**49,404**
B. Financial liabilities at amortized cost						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

It should be noted that the economic effects arising from the sales of financial assets measured at amortized cost, recorded under item 100. “Gains (losses) on disposals/repurchases of: a) financial assets at amortised cost", took place in accordance with IFRS 9 and in application of the rules defined for the HTC business model.

Part C - Income statement

Section 7 – Gains (losses) on financial assets and liabilities measured at fair value through profit and loss – Item 110

7.1 Net change in value of other financial assets and liabilities measured at fair value through profit and loss: breakdown of financial assets and liabilities designated at fair value

No data to report.

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

2023

(Amounts in € thousand)

Transactions/Income items	Unrealized gain (A)	Realized gain (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (loss) (A+B)-(C+D)
1. Financial assets	**1,188**	**-**	**(7)**	**(4)**	**1,177**
1.1 Debt securities	1	-	-	(2)	(1)
1.2 Equity securities	1,187	-	(7)	(2)	1,178
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in currency: exchange differences	**X**	**X**	**X**	**X**	**(174)**
Total	**1,188**	**-**	**(7)**	**(4)**	**1,003**

2022

(Amounts in € thousand)

Transactions/Income items	Unrealized gain (A)	Realized gain (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (loss) (A+B)-(C+D)
1. Financial assets	**2,394**	**21**	**(2,588)**	**(457)**	**(630)**
1.1 Debt securities	-	1	(11)	-	(10)
1.2 Equity securities	2,394	20	(2,577)	(457)	(620)
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in currency: exchange differences	**X**	**X**	**X**	**X**	**302**
Total	**2,394**	**21**	**(2,588)**	**(457)**	**(328)**

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Section 8 – Impairment losses/writebacks - Item 130

8.1 Net impairment for credit risk related to financial assets at amortized cost: breakdown

(Amounts in € thousand)

Transactions/Income items	Adjustments (1)						Write-backs (2)				Total 2023	Total 2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-off	Others	Write-off	Others						
A. Loans and receivables to banks	**(119)**	**-**	**-**	**-**	**-**	**-**	**129**	**-**	**-**	**-**	**10**	**(282)**
- Loans	(98)	-	-	-	-	-	74	-	-	-	(24)	(80)
- Debt securities	(21)	-	-	-	-	-	55	-	-	-	34	(202)
B. Loans and receivables to customers	**(2,642)**	**(1,886)**	**(74)**	**(4,785)**	**-**	**-**	**3,751**	**1,120**	**1,410**	**-**	**(3,106)**	**(4,883)**
- Loans	(1,818)	(1,886)	(74)	(4,785)	-	-	2,690	1,120	1,410	-	(3,343)	(2,992)
- Debt securities	(824)	-	-	-	-	-	1,061	-	-	-	237	(1,891)
Total	**(2,761)**	**(1,886)**	**(74)**	**(4,785)**	**-**	**-**	**3,880**	**1,120**	**1,410**	**-**	**(3,096)**	**(5,165)**

The table above conventionally shows the net impairment for credit risk in respect of on-demand deposits to banks and central banks recognised in the item “Cash and cash balances”, as ruled in Circular No. 262 "Banks' financial statements: layouts and preparation".

8.2 Net impairment losses related to: financial assets measured at fair value with an impact on overall profitability

(Amounts in € thousand)

Transactions/Income	Adjustments (1)						Write - backs (2)				Total 2023	Total 2022
	Stage 1	Stage 2	Stage 3		Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
			Write-off	Others	Write-off	Other						
A. Debt Securities	-	-	-	-	-	-	-	-	-	-	-	(2)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- To clients	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**

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Section 9 – Profit/loss from contract changes without cancellation – Item 140

9.1 Profit (loss) from contract changes: breakdown

(Amounts in € thousand)

Items/Income items	Total 2023			Total 2022		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
1. Financial assets valued at amortized cost	3	(1)	2	1	(2)	(1)
1.1 Receivables from banks	-	-	-	-	-	-
1.2 Receivables from customers	3	(1)	2	1	(2)	(1)
2. Financial assets valued at fair value through other comprehensive income	-	-	-	-	-	-
Total	**3**	**(1)**	**2**	**1**	**(2)**	**(1)**

Section 10 – Administrative costs – Item 160

10.1 Payroll costs: breakdown

(Amounts in € thousand)

Type of expenses/Sectors	Total 2023	Total 2022
1) Employees	(112,894)	(105,052)
a) wages and salaries	(76,299)	(70,791)
b) social security contributions	(19,584)	(17,619)
c) pension costs	(785)	(734)
d) severance pay	-	-
e) allocation to employee severance pay provision	(179)	(121)
f) provision for retirements and similar provisions:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(5,432)	(4,805)
- defined contribution	(5,432)	(4,805)
- defined benefit	-	-
h) costs related to share-based payments	(4,716)	(4,927)
i) other employee benefits	(5,899)	(6,055)
2) Other staffs	-	-
3) Directors and statutory auditors	(2,430)	(2,020)
4) Early retirement costs	-	-
5) Recovery of expenses for employees seconded to other companies	14	15
6) Refunds of expenses for third party employees seconded to the company	-	-
Total	**(115,310)**	**(107,057)**

Item 1 "h) Employees: costs related to share-based payments" includes costs incurred in relation to payment agreements based on financial instruments issued by the Bank, that are recorded against the item 140. "Reserves" of the net equity for an amount of € 4,716 thousand (€ 4,927 thousand in 2022).

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10.2 Average number of employees by category

	Data as at	
	2023	2022
Employees	**1,241**	**1,217**
(a) executives	31	30
(b) managers	456	435
(c) remaining employees	754	752
Other personnel	**13**	**13**

10.3 Pensions and other post-retirement defined-benefit obligations costs and revenues

No data to report.

10.4 Other employee benefits

(Amounts in € thousand)

Type of expense/Amounts	Total 2023	Total 2022
Leaving incentives	720	(200)
Medical plan	(1,555)	(1,539)
Luncheon vouchers	(1,550)	(921)
Training expenses	(571)	(426)
Other	(2,943)	(2,969)
Total	**(5,899)**	**(6,055)**

The item "Other" mainly includes the cash component of benefits relating to employee incentive plans, amounting to € 2,062 thousand.

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10.5 Other administrative expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2023	Total 2022
1) INDIRECT TAXES AND DUTIES	**(169,925)**	**(142,439)**
2) MISCELLANEOUS COSTS AND EXPENSES		
A) Advertising expenses - Marketing and communication	**(27,911)**	**(25,128)**
Mass media communications	(19,109)	(20,627)
Marketing and promotions	(7,139)	(3,494)
Sponsorships	(427)	(582)
Conventions and internal communications	(1,236)	(425)
B) Expenses related to credit risk	**(1,612)**	**(1,493)**
Credit recovery expenses	(419)	(215)
Commercial information and company searches	(1,193)	(1,278)
C) Expenses related to personnel and to personal financial advisors	**(4,212)**	**(2,799)**
Other staff expenses	(1,129)	(764)
Personal financial advisor expenses	(3,083)	(2,035)
D) ICT expenses	**(54,022)**	**(50,145)**
Lease of ICT equipment and software	(1,794)	(2,180)
Software expenses: lease and maintenance	(15,244)	(13,207)
ICT communication systems, messaging and phone expenses	(6,261)	(7,545)
Consultancy and ICT services provided by third parties	(14,913)	(13,117)
Financial information providers	(15,810)	(14,096)
E) Consultancies and professional services	**(4,611)**	**(4,561)**
Consultancies and professional services	(3,651)	(3,661)
Legal expenses and disputes	(429)	(421)
Auditing company expenses	(531)	(479)
F) Furniture, machinery and equipment expenses and Real estate expenses	**(5,788)**	**(6,312)**
Repair and maintenance of furniture, machinery, and equipment	(536)	(304)
Maintenance and cleaning of premises	(1,606)	(1,356)
Premises rentals	(761)	(840)
Utilities and condominium expenses	(2,885)	(3,812)
G) Other functioning costs	**(29,841)**	**(30,691)**
Postage and transport of documents	(3,546)	(3,311)
Administrative, logistic and call center services	(16,142)	(16,931)
Insurance	(3,959)	(4,186)
Association dues and fees	(3,857)	(3,945)
Other administrative expenses	(2,337)	(2,318)
H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(41,610)**	**(47,734)**
Total	**(339,532)**	**(311,302)**

Item "H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)" shows the costs recorded in the year 2023 for the ordinary, additional and supplementary contribution paid to the Deposit Guarantee Schemes (DGS), in the total amount of € 35,030 thousand (€ 40,008 thousand in the year 2022), the ordinary contribution paid to the Single Resolution Fund, amounting to € 6,581 thousand (€ 7,601 thousand in the year 2022). For further details, see Part A - Accounting policies of these notes to the accounts.

Below is the information required by IFRS 16 regarding the costs recognized in Other administrative expenses relating to short-term leasing, the costs relating to low value assets leasing and the costs for variable payments due for the leasing not included in the valuation of the leasing liabilities.

(Amounts in € thousand)

Type of expense/Amounts	Total 2023
Expenses relating to short-term leases ("Short term lease")	-
Expenses relating to leases of low-value assets ("Low value assets")	(5)
Expenses relating to variable lease payments not included in the measurement of lease liabilities	-
Total	**(5)**

It should also be noted that the VAT related to the contracts included in the scope of IFRS 16 was also included in the Other administrative expenses, as it is not included in the assessment of the leasing liability.

Section 11 – Net provisions for risks and charges – Item 170

11.1 Net provisions for risks and charges relating to commitments and financial guarantees given: breakdown

(Amounts in € thousand)

Transactions/Income items	Impairment		Write-backs		Total	Total
	Stage 1 and Stage 2	Stage 3	Stage 1 and Stage 2	Stage 3	2023	2022
1. Commitments	(181)	(36)	24	2	(191)	(2)
2. Financial guarantees given	-	-	2	-	2	18
Total	**(181)**	**(36)**	**26**	**2**	**(189)**	**16**

11.2 Net provisions for risks and charges relating to other commitments and other guarantees given: breakdown

(Amounts in € thousand)

Transactions/Income items	2023			2022		
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
1. Other commitments	(77)	37	(40)	(39)	-	(39)
2. Other guarantees given	-	-	-	-	-	-
Total	**(77)**	**37**	**(40)**	**(39)**	**-**	**(39)**

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11.3 Net provisions to other provisions for risks and charges: breakdown

(Amounts in € thousand)

Items/Income items	Total 2023			Total 2022		
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
Legal and fiscal disputes	(5,977)	3,479	(2,498)	(5,279)	3,122	(2,157)
Supplementary customer indemnity provision	(8,028)	-	(8,028)	(7,273)	-	(7,273)
Other provisions for risks and charges	(11,658)	207	(11,451)	(761)	163	(598)
Total	**(25,663)**	**3,686**	**(21,977)**	**(13,313)**	**3,285**	**(10,028)**

The item “Provisions” also include changes due to the passing of time and changes in the discount rate.

Section 12 – Net impairment/write-backs on property, plant and equipment – Item 180

12.1 Impairment/write-backs on property, plant and equipment: breakdown

(Amounts in € thousand)

Assets/Income items	Depreciation (a)	Write-downs (b)	Write-backs (c)	Net profit (loss) 2023 (a + b - c)	Net profit (loss) 2022 (a + b - c)
A. Property, plant and equipment	(20,482)	(77)	-	(20,559)	(19,742)
1 Owned	(20,482)	(77)	-	(20,559)	(19,652)
- Used in the business	(9,396)	(18)	-	(9,414)	(8,680)
- Held for investment	(11,086)	(59)	-	(11,145)	(10,972)
2. Held under finance lease	-	-	-	-	(90)
- Used in the business	-	-	-	-	(90)
- Held for investment	-	-	-	-	-
3 Inventories	X	-	-	-	-
Total	**(20,482)**	**(77)**	**-**	**(20,559)**	**(19,742)**

Impairment losses were recognised in the year for insignificant amounts and mainly in relation to office furniture and fittings for which a zero value in use was determined.

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of these notes to the accounts.

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Section 13 – Net impairment/write-backs on intangible assets – Item 190

13.1 Impairment on intangible assets: breakdown

(Amounts in € thousand)

Assets/Income items	Depriciation (a)	Write-downs (b)	Write-backs (c)	Net profit (loss) 2023 (a + b - c)	Net profit (loss) 2022 (a + b - c)
A. Intangible assets	(5,942)	-	-	(5,942)	(6,554)
of which: software	(5,910)	-	-	(5,910)	(6,467)
A.1 Owned	(5,942)	-	-	(5,942)	(6,554)
- Generated internally by the company	-	-	-	-	-
- Others	(5,942)	-	-	(5,942)	(6,554)
A.2 Right of use held under finance lease	-	-	-	-	-
Total	**(5,942)**	**-**	**-**	**(5,942)**	**(6,554)**

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the notes to the accounts.

For the disclosures required by IAS 36 paragraph 134, d), e), f) and 135, c), d), e), see Part B paragraph 12.3 Other information.

Section 14 – Other net operating income – Item 200

14.1 Other operating expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2023	Total 2022
Refunds and allowances	(170)	(211)
Penalties, fines and unfavourable rulings	(1,301)	(871)
Improvements and incremental expenses incurred on leasehold properties	(1,594)	(1,835)
Exceptional write-downs of assets	(311)	(66)
Other operating expenses	(285)	(547)
Total	**(3,661)**	**(3,530)**

14.2 Other operating income: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2023	Total 2022
Recovery of expenses:	163,603	136,830
- recovery of ancillary expenses - other	607	912
- recovery of taxes	162,996	135,918
Rental income from properties	808	751
Other income from current year	1,763	2,167
Total	**166,174**	**139,748**

The amount of other operating income recognized in 2023 and included in the balance at the beginning of the year of liabilities arising from contracts with customers is equal to € 49 thousand (€ 48 thousand in 2022).

The item “Other income for the current year” includes public grants for the year amounting to € 63 thousand (€ 63 thousand in 2022).

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The Bank has not carried out sub-leasing transactions. The Bank has no financial leases. As far as operating leases are concerned, the Bank has outstanding operations, as lessor, represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11, the proceeds of which are recognized in the item "Rental income from properties" and do not include income for ISTAT revaluations.

Section 15 – Profit (loss) of associates – Item 220

15.1 Profit (Loss) of associates: breakdown

(Amounts in € thousand)

Income/Value	Total 2023	Total 2022
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Writebacks	-	-
4. Other gains	-	-
B. Expenses	(263)	(276)
1. Write-down	(68)	(276)
2. Impairment losses	(195)	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit	**(263)**	**(276)**

Write-downs, in the amount of € 68 thousand, refer to the valuation of Vorvel Sim S.p.A. using the equity method.

Impairment losses, amounting to € 195 thousand, refer to the write-off of the carrying value of the Bank's investment in Fineco International Ltd, as described above.

Section 16 – Gains (losses) on tangible and intangible assets measured at fair value – Item 230

No data to report.

Section 17 – Impairment of goodwill – Item 240

No data to report.

Part C - Income statement

Section 18 – Gains (losses) on disposal of investments – Item 250

18.1 Gains (losses) on disposal of investments: breakdown

(Amounts in € thousand)

Items income/Sectors	Total 2023	Total 2022
A. Properties	-	541
- Gains on disposal	-	541
- Losses on disposal	-	-
B. Other assets	35	2
- Gains on disposal	35	4
- Losses on disposal	-	(2)
Net profit (loss)	**35**	**543**

The Bank has not carried out sales and leasing transactions for tangible assets.

Part C - Income statement

Section 19 – Tax expense (income) related to profit or loss from continuing operations – Item 270

19.1 Tax expense (income) related to profit or loss from continuing operations: breakdown

(Amounts in € thousand)

Items income/Amounts	Total 2023	Total 2022
1. Current tax (-)	(251,792)	(163,626)
2. Adjustment to current tax of prior years (+/-)	-	-
3. Reduction in current tax for the year (+)	-	-
3.bis Reduction of current tax for the year due to tax receivables pursuant to Law 214/2011 (+)	-	-
4. Changes in deferred tax assets (+/-)	6,566	3,513
5. Changes in deferred tax liabilities (+/-)	(894)	(795)
6. Tax expense for the year (-) (-1+/-2+3+ 3 bis +/-4+/-5)	(246,120)	(160,908)

19.2 Reconciliation of theoretical tax charge to actual tax charge

(Amounts in € thousand)

	Total 2023
Profit before tax	850,618

(Amounts in € thousand)

Items income/Amounts	Taxes		
	IRES Italian Tax	IRAP Italian Tax	Total 2023
Amount corresponding to theoretical tax rate	**(233,920)**	**(47,379)**	**(281,299)**
- Tax effects of charges not relevant to the calculation of taxable income	(2,243)	(3,690)	(5,933)
- Tax effects of income not relevant to the calculation of taxable income	35,661	5,451	41,112
- Tax effects deriving from the use of tax losses from previous years	-	-	-
- Tax effects deriving from the application of substitute taxes	-	-	-
Amount corresponding to actual tax rate	**(200,502)**	**(45,618)**	**(246,120)**

Part C - Income statement

Section 20 – Profit (Loss) after tax from discontinued operations – Item 290

No data to report.

Section 21 – Other information

1.1 Disclosure of auditing fees pursuant to art. 149 paragraph bis of Issuers' Regulation

The table below provides details of the fees (net of VAT and expenses) paid to the independent auditing firm KPMG S.p.A. and entities within the network that the external auditors belongs to.

(Amounts in €)

Type of service	Service provider	Fees
Accounting Audit	KPMG S.p.A.	200,488
Certification services	KPMG S.p.A.	208,179
Other services	KPMG S.p.A.	37,500
Total		**446,167**

1.2 Disclosure regarding the transparency of public funding required by article 1, paragraph 125 of the Italian law 124/2017

For the purposes of fulfilling the requirements of art. 1, paragraph 125 of Law no. 124/2017 - Annual market and competition law, modified by art. 35 of the law decree n. 34/2019, in accordance with Assonime circular no. 5 of February 22nd, 2019 and also kept the indications provided by the in-depth document issued by Assonime on May 6th, 2019, the Bank excluded from the disclosure the attributions that are justified in the performance of the company and in any case typical of the recipient's activity, as well as those aimed at the generality of the companies, such as tax and social security measures, thus limiting the information on the contributions to be presented and detailed in the National Register of State Aid "Transparency" section publicly available on the relevant website.

Pursuant to article 1, paragraph 125 of Italian law 124/2017, in 2023 FinecoBank did not receive public contributions from Italian entities. It should be noted that during 2020, a communication had been submitted for access to the tax credit for advertising investments Art. 57-bis of Decree Law No. 50 of April 24th, 2017, converted with amendments by Law No. 96 of June 21st, 2017; Prime Minister's Decree No. 90 of May 16th, 2018.

For more information, please refer to the National State Aid Register "Transparency" section.

Part C - Income statement

Section 22 - Earnings per share

22.1 Average number of diluted ordinary shares

Basic earnings per share are calculated by dividing the net profit by the average number of ordinary shares outstanding during the year.

	12/31/2023	12/31/2022
Net profit for the year (€ thousands)	604,498	421,985
Average number of outstanding shares	610,410,519	609,932,199
Average number of outstanding shares (including potential ordinary shares with dilution effect)	611,794,654	611,424,585
Basic earnings per share	0.990	0.692
Diluted Earnings per Share	0.988	0.690

22.2 Other information

No data to report.

Part D – Comprehensive income

Analytical Statement of comprehensive income

(Amounts in €)

Item		Total 2023	Total 2022
10.	Net Profit (Loss) for the year	604,498	421,985
	Other comprehensive income after tax not to be recycled to income statement	**(10,146)**	**12,306**
20.	Equity securities designated at fair value with an impact on total income:	-	-
	a) changes in fair value	-	-
	b) transfers to other components of equity	-	-
30.	Financial liabilities designated at fair value with impact on the income statement (changes in creditworthiness):	-	-
	a) changes in fair value	-	-
	b) transfers to other components of equity	-	-
40.	Hedges of equity securities designated at fair value with an impact on total profitability:	-	-
	a) change in fair value (hedged instrument)	-	-
	b) change in fair value (hedging instrument)	-	-
50.	Tangible assets	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(15,174)	18,455
80.	Non current assets classified as held for sale	-	-
90.	Valuation reserves from investments accounted for using the equity method	10	(1)
100.	Income taxes relating to other income components without reversal to the income statement	5,018	(6,148)
	Other comprehensive income after tax to be recycled to income statement	**1,294**	**(4,308)**
110.	Hedge of foreign investments:	-	-
	a) changes in fair value	-	-
	b) transfer to the income statement	-	-
	c) other changes	-	-
120.	Exchange differrences:	-	-
	a) value changes	-	-
	b) transfer to the income statement	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) changes in fair value	-	-
	b) transfer to the income statement	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments:	-	-
	a) value changes	-	-
	b) transfer to the income statement	-	-
	c) other changes	-	-
150.	Financial assets (no equity securities) measured at fair value with an impact on total profitability:	1,945	(6,437)
	a) changes in fair value	1,945	(5,824)
	b) transfer to the income statement	-	(613)
	- adjustments to credit risk	-	-
	- gains / losses from realization	-	(613)
	c) other changes	-	-
160.	Non current assets classified as held for sale:	-	-
	a) changes in fair value	-	-
	b) transfer to the income statement	-	-
	c) other changes	-	-
170.	Valutation reserves from investments accounted for using the equity method;	(8)	-
	a) changes in fair value	(8)	-
	b) transfer to the income statement	-	-
	- impairment adjustments	-	-
	- gains / losses from realization	-	-
	c) other changes	-	-
180.	Income taxes relating to other income components with reversal to the income statement	(643)	2,129
190.	**Total of other comprehensive income after tax**	**(8,852)**	**7,998**
200.	**Comprehensive income (item 10+190)**	**595,646**	**429,983**

Part E - Information on Risks and relating hedging policies

Introduction

Please refer to the Introduction in Part E - Information on risks and related hedging policies of the consolidated notes, which is deemed to be reported here in full.

Section 1 – Credit Risk

Qualitative information

1. General Matters

Please refer to the paragraph "1. General Matters" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.1 Credit risk, which is deemed to be reported here in full.

Impacts arising from Russia – Ukraine conflict

Please refer to the paragraph "Impacts arising from Russia – Ukraine conflict" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.1 Credit risk, which is deemed to be reported here in full.

2. Credit Risk Management Policy

2.1 Organisational aspects

Please refer to the paragraph "2.1 Organisational aspects" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.1 Credit risk, 2. Credit Risk Management Policy, which is deemed to be reported here in full.

2.1.1 Credit Risk generating factors

Please refer to the paragraph "2.1.1 Credit Risk generating factors" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.1 Credit risk, 2. Credit Risk Management Policy, 2.1 Organisational aspects, which is deemed to be reported here in full.

2.2 Management, measurement and control system

Please refer to the paragraph "2.2 Management, measurement and control system" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.1 Credit risk, 2. Credit Risk Management Policy, which is deemed to be reported here in full.

2.3 Expected losses measurement methods

Please refer to the paragraph "2.3 Expected losses measurement methods" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.1 Credit risk, 2. Credit Risk Management Policy, which is deemed to be reported here in full.

2.4 Credit risk mitigation techniques

Please refer to the paragraph "2.4 Credit risk mitigation techniques" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.1 Credit risk, 2. Credit Risk Management Policy, which is deemed to be reported here in full.

Part E - Information on Risks and relating hedging policies

3. Impaired credit exposures

3.1 Management strategies and policies

Please refer to the paragraph "3.1 Management strategies and policies" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.1 Credit risk, 3. Impaired credit exposures, which is deemed to be reported here in full.

3.2 Write-off

Please refer to the paragraph "3.2 Write-off" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.1 Credit risk, 3. Impaired credit exposures, which is deemed to be reported here in full.

3.3 Purchased or originated impaired financial assets

Please refer to the paragraph "3.3 Purchased or originated impaired financial assets" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.1 Credit risk, 3. Impaired credit exposures, which is deemed to be reported here in full.

4. Commercial renegotiations and forbearance measures

Please refer to the paragraph "4. Commercial renegotiations and forbearance measures" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.1 Credit risk, which is deemed to be reported here in full.

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Part E - Information on Risks and relating hedging policies

Quantitative information

A. Credit quality

As provided for in Circular No. 262 "The banks' financial statements: layouts and preparations", on-demand loans to banks and central banks, recognised in the balance sheet item "Cash and cash balances", are included in the definition of cash credit exposures but are conventionally excluded from the tables on quantitative credit quality disclosures in Section 1 "Credit Risk", with the exception of Tables A.1.4, A.1.6, A.1.8, A.1.8bis and A.1.10 and B.3.

A.1 Impaired and unimpaired credit exposures: amounts, impairment, changes and distribution by business activity

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

(Amounts in € thousand)

Portfolio/quality	Bad exposures	Unlikely to pay	Past due impaired exposures	Past due unimpaired exposures	Other not impaired exposures	Total
1. Financial assets at amortised cost	1,110	1,815	1,040	36,735	27,851,819	27,892,519
2. Financial assets at fair value through other comprehensive income	-	-	-	-	29,062	29,062
3. Financial assets designated at fair value	-	-	-	-	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	48	48
5. Financial instruments classified as held for sale	-	-	-	-	-	-
Total 12/31/2023	**1,110**	**1,815**	**1,040**	**36,735**	**27,880,929**	**27,921,629**
Total 12/31/2022	**1,405**	**1,421**	**701**	**31,252**	**31,434,876**	**31,469,655**

There are no impaired purchased loans.

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

(Amounts in € thousand)

Portfolio/quality	Impaired				Unimpaired			Total (net exposure)
	Gross exposure	Total impairment provision	Net exposure	Overall partial write-off*	Gross exposure	Total impairment provision	Net exposure	
1. Financial assets at amortized cost	24,094	(20,129)	3,965	-	27,906,533	(17,979)	27,888,554	27,892,519
2. Financial assets at fair value through other comprehensive income	-	-	-	-	29,064	(2)	29,062	29,062
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	48	48
5. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-
Total 12/31/2023	**24,094**	**(20,129)**	**3,965**	**-**	**27,935,597**	**(17,981)**	**27,917,664**	**27,921,629**
Total 12/31/2022	**25,229**	**(21,702)**	**3,527**	**-**	**31,485,925**	**(19,876)**	**31,466,128**	**31,469,655**

Part E - Information on Risks and relating hedging policies

(Amounts in € thousand)

Portfolio/quality	Assets with of clearly poor credit quality		Other assets
	Accumulated unrealised losses	Net exposure	Net exposure
1. Financial assets held for trading	-	7	5,314
2. Hedging derivatives	-	-	896,577
Total 12/31/2023	**-**	**7**	**901,891**
Total 12/31/2022	**-**	**1**	**1,698,005**

A.1.3 Distribution of financial assets by maturity (balance sheet values)

(Amounts in € thousand)

Portfolios / stages of risk		Stage 1			Stage 2			Stage 3			Purchased or originated credit-impaired		
		From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days	From 1 day to 30 days	Over 30 days until 90 days	Over 90 days
1. Financial assets at amortised cost		26,240	4,768	255	108	4,661	703	23	29	3,288	-	-	-
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-
3. Financial instruments classified held for sale		-	-	-	-	-	-	-	-	-	-	-	-
Total	**12/31/2023**	**26,240**	**4,768**	**255**	**108**	**4,661**	**703**	**23**	**29**	**3,288**	**-**	**-**	**-**
Total	**12/31/2022**	**24,495**	**2,839**	**108**	**331**	**1,731**	**1,748**	**57**	**12**	**3,205**	**-**	**-**	**-**

Part E - Information on Risks and relating hedging policies

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and total provisions

(Amounts in € thousand)

Causal / risk stages	Total value adjustments																	
	Stage 1 financial assets						Stage 2 financial assets						Stage 3 financial assets					
	Loans and receivables on-demand to banks and Central Banks	Financial assets at amortised cost	Financial assets at fair through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Loans and receivables on-demand to banks and Central Banks	Financial assets at amortised cost	Financial assets at fair through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Loans and receivables on-demand to banks and Central Banks	Financial assets at amortised cost	Financial assets at fair through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns
Total opening adjustments	**(119)**	**(15,274)**	**(2)**	**-**	**-**	**(15,395)**	**-**	**(4,602)**	**-**	**-**	**-**	**(4,602)**	**-**	**(21,703)**	**-**	**-**	**(17,646)**	**(4,057)**
Changes in increase from financial assets acquired or originated	(68)	(1,512)	-	-	-	(1,580)	-	(946)	-	-	-	(946)	-	(1,600)	-	-	(74)	(1,526)
Cancellations other than write-offs	42	2,736	-	-	-	2,778	-	397	-	-	-	397	-	463	-	-	149	314
Net value adjustments / write-backs for credit risk (+/-)	17	1,414	-	-	-	1,431	-	(218)	-	-	-	(218)	-	(2,427)	-	-	(1,096)	(1,331)
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	-	-	-	-	-	-	26	-	-	-	26	-	5,138	-	-	4,958	180
Other variations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,150)	1,150
Total closing adjustments	**(128)**	**(12,636)**	**(2)**	**-**	**-**	**(12,766)**	**-**	**(5,343)**	**-**	**-**	**-**	**(5,343)**	**-**	**(20,129)**	**-**	**-**	**(14,859)**	**(5,270)**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	(74)	-	-	(68)	(6)

A.1.4 Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and total provisions

(continued)

(Amounts in € thousand)

Causal / risk stages	Total value adjustments – Purchased or originated impaired financial assets: Financial assets at amortised cost	Financial assets at fair through other comprehensive income	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Total provisions on commitments to disburse funds and financial guarantees issued: Stage 1	Stage 2	Third stage	Commitments to provide funds and financial guarantees issued impaired acquired or originated	Tot.
Total opening adjustments	**-**	**-**	**-**	**-**	**-**	**(34)**	**-**	**(2)**	**-**	**(41,736)**
Changes in increase from financial assets acquired or originated	X	X	X	X	X	(181)	-	(36)	-	**(4,343)**
Cancellations other than write-offs	-	-	-	-	-	10	-	-	-	**3,648**
Net value adjustments / write-backs for credit risk	-	-	-	-	-	16	-	1	-	**(1,197)**
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	**-**
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	**-**
Write-offs non recorded directly in the income statement	-	-	-	-	-	-	-	-	-	**5,164**
Other variations	-	-	-	-	-	-	-	-	-	**-**
Total closing adjustments	**-**	**-**	**-**	**-**	**-**	**(189)**	**-**	**(37)**	**-**	**(38,464)**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	**-**
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	-	-	**(74)**

Part E - Information on Risks and relating hedging policies

A.1.5 Financial assets, commitments and financial guarantees: transfers between the different stages (gross amount and nominal)

(Amounts in € thousand)

Portfolios/stages		Gross exposure/nominal value					
		Transfer between stage 1 and stage 2		Transfer between stage 2 and stage 3		Transfer between stage 1 and stage 3	
		To stage 2 from stage 1	To stage 1 from stage 2	To stage 3 from stage 2	To stage 2 from stage 3	To stage 3 from stage 1	To stage 1 from stage 3
1. Financial assets at amortized cost		9,965	2,949	769	108	4,700	131
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-
4. Commitments and financial guarantees given		4	-	-	3	181	30
Total	**12/31/2023**	**9,969**	**2,949**	**769**	**111**	**4,881**	**161**
Total	**12/31/2022**	**29,157**	**817**	**722**	**26**	**3,359**	**239**

Part E - Information on Risks and relating hedging policies

A.1.6 Cash and off-balance sheet credit exposures to banks: gross and net values

(Amounts in € thousand)

Type of exposure/amounts	Gross exposures					Total value adjustments and total credit risk provisions					Net Exposure	Total Write-off*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE SHEET CREDITS EXPOSURES												
A.1 ON DEMAND	**2,249,483**	**2,249,483**	**-**	**-**	**-**	**(128)**	**(128)**	**-**	**-**	**-**	**2,249,355**	**-**
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	2,249,483	2,249,483	-	X	-	(128)	(128)	-	X	-	2,249,355	-
A.2 OTHERS	**2,968,741**	**2,968,739**	**-**	**-**	**-**	**(244)**	**(244)**	**-**	**-**	**-**	**2,968,497**	**-**
a) Bad exposures	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
b) Unlikely to pay	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
c) Non performing past due	-	X	-	-	-	-	X	-	-	-	-	-
- of which: forborne exposures	-	X	-	-	-	-	X	-	-	-	-	-
d) Performing past due exposures	-	-	-	X	-	-	-	-	X	-	-	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
e) Other performing exposures	2,968,741	2,968,739	-	X	-	(244)	(244)	-	X	-	2,968,497	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**5,218,224**	**5,218,222**	**-**	**-**	**-**	**(372)**	**(372)**	**-**	**-**	**-**	**5,217,852**	**-**
B. OFF-BALANCE SHEET CREDITS EXPOSURES												
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	974,246	17,170	-	X	-	(1)	(1)	-	X	-	974,245	-
TOTAL (B)	**974,246**	**17,170**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**-**	**-**	**974,245**	**-**
TOTAL (A+B)	**6,192,470**	**5,235,392**	**-**	**-**	**-**	**(373)**	**(373)**	**-**	**-**	**-**	**6,192,097**	**-**

It should be noted that financial assets held for trading, derivative contracts and off-balance sheet transactions other than those subject to the impairment rules under IFRS 9 have been classified, by convention, as non-impaired exposures, but have not been included in the columns providing a breakdown by risk stage.

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to unsecured securities lending and repurchase agreements that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to € 60,183 thousand.

Part E - Information on Risks and relating hedging policies

A.1.7 Prudential consolidation - Cash and off-balance-sheet exposures to customers: gross and net values

(Amounts in € thousand)

Type of exposure/Amounts	Gross exposures					Total value adjustments and total credit risk provisions					Net Exposure	Total Write-off*
		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired		
A. ON-BALANCE SHEET CREDITS EXPOSURES												
a) Bad exposures	**16,019**	**X**	**-**	**16,019**	**-**	**(14,909)**	**X**	**-**	**(14,909)**	**-**	**1,110**	**-**
- of which: forborne exposures	267	X	-	267	-	(246)	X	-	(246)	-	21	-
b) Unlikely to pay	**5,665**	**X**	**-**	**5,665**	**-**	**(3,850)**	**X**	**-**	**(3,850)**	**-**	**1,815**	**-**
- of which: forborne exposures	570	X	-	570	-	(336)	X	-	(336)	-	234	-
c) Non performing past due	**2,410**	**X**	**-**	**2,410**	**-**	**(1,370)**	**X**	**-**	**(1,370)**	**-**	**1,040**	**-**
- of which: forborne exposures	18	X	-	18	-	(14)	X	-	(14)	-	4	-
d) Performing past due exposures	**37,227**	**31,440**	**5,787**	**X**	**-**	**(492)**	**(176)**	**(316)**	**X**	**-**	**36,735**	**-**
- of which: forborne exposures	12	-	12	X	-	(1)	-	(1)	X	-	11	-
e) Other performing exposures	**24,929,675**	**24,889,044**	**40,587**	**X**	**-**	**(17,243)**	**(12,216)**	**(5,027)**	**X**	**-**	**24,912,432**	**-**
- of which: forborne exposures	2,213	-	2,213	X	-	(40)	-	(40)	X	-	2,173	-
TOTAL (A)	**24,990,996**	**24,920,484**	**46,374**	**24,094**	**-**	**(37,864)**	**(12,392)**	**(5,343)**	**(20,129)**	**-**	**24,953,132**	**-**
B. OFF-BALANCE SHEET CREDITS EXPOSURES												
a) Non performing	318	X	-	247	-	(115)	X	-	(70)	-	203	-
b) Performing	2,657,916	297,191	317	X	-	(188)	(187)	-	X	-	2,657,728	-
TOTAL (B)	**2,658,234**	**297,191**	**317**	**247**	**-**	**(303)**	**(187)**	**-**	**(70)**	**-**	**2,657,931**	**-**
TOTAL (A+B)	**27,649,230**	**25,217,675**	**46,691**	**24,341**	**-**	**(38,167)**	**(12,579)**	**(5,343)**	**(20,199)**	**-**	**27,611,063**	**-**

It should be noted that financial assets held for trading, derivative contracts and off-balance sheet transactions other than those subject to the impairment rules under IFRS 9 have been classified, by convention, as non-impaired exposures, but have not been included in the columns providing a breakdown by risk stage.

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to securities lending transactions collateralised by other securities and to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to € 205,025 thousand.

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A.1.8 On-balance sheet credit exposures to banks: gross changes in non-performing exposures

No data to report.

A.1.8bis On-balance sheet credit exposures to banks: gross changes in forborne non-performing exposures breakdown by credit quality

No data to report.

A. 1.9 Credit exposures per case to customers: the dynamics of gross deteriorated exposures

(Amounts in € thousand)

Description/Category	Bad Exposures	Unlikely to pay	Past due impaired exposures
A. Opening balance (gross amount)	**19,104**	**4,459**	**1,666**
- of which: sold non-cancelled exposures	-	-	-
B. Increases	**2,420**	**3,978**	**2,381**
B.1 transfers from performing loans	781	2,702	2,118
B.2 entry from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other impaired exposures	1,596	282	-
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	43	994	263
C. Decreases	**(5,505)**	**(2,772)**	**(1,637)**
C.1 transfers to perfomorming loans	-	(65)	(293)
C.2 write-offs	(5,026)	(184)	(2)
C.3 recoveries	(468)	(997)	(688)
C.4 sales proceeds	-	-	-
C.5 losses on disposals	-	-	-
C.6 transfers to other impaired exposures	-	(1,292)	(586)
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	(11)	(234)	(68)
D. Closing balance (gross amounts)	**16,019**	**5,665**	**2,410**
- of which: sold but not derecognised	-	-	-

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A.1.9bis Cash credit exposures to customers: dynamics of gross exposures subject to concessions distinguished by credit quality

(Amounts in € thousand)

Description/Quality	Forborne exposures impaired	Forborne exposures not impaired
A. Opening balance (gross amount)	**829**	**2,223**
- Sold but not derecognised	-	-
B. Increases	**302**	**1,140**
B.1 Transfers from performing not forborne exposures	-	1,101
B.2. Transfers from performing forborne exposures	29	X
B.3. Transfers from impaired forborne exposures	X	-
B.4 Transfers from impaired not forborne exposure	-	-
B.5 other increases	273	39
C. Decreases	**(276)**	**(1,138)**
C.1 Transfers to performing not forborne exposures	X	(945)
C.2 Transfers to performing forborne exposures	-	X
C.3 transfers to impaired exposures not forborne	X	(29)
C.4 write-offs	(39)	-
C.5 recoveries	(179)	(152)
C.6 sales proceeds	-	-
C.7 losses on disposals	-	-
C.8 other decreases	(58)	(12)
D. Closing balance (gross amounts)	**855**	**2,225**
- Sold but not derecognised	-	-

A.1.10 On-balance sheet credit exposures to banks: changes in overall impairment

No data to report.

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A.1.11 Cash exposures to customers: impairment of total value adjustments

(Amounts in € thousand)

Description/Category	Bad Exposures		Unlikely to pay		Impaired Past due exposures	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Opening balance overall amount of writedowns	**(17,699)**	**(234)**	**(3,038)**	**(311)**	**(965)**	**(13)**
- Sold but not derecognised	-	-	-	-	-	-
B. Increases	**(2,727)**	**(76)**	**(2,550)**	**(165)**	**(1,233)**	**(20)**
B.1 impairment losses on acquired or originated assets	-	X	-	X	-	X
B. 2 other value adjustments	(1,562)	(33)	(2,351)	(136)	(1,223)	(12)
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfer from other impaired exposure	(1,150)	(43)	(180)	(13)	-	-
B. 5 contractual changes without cancellations	-	-	-	-	-	-
B.6 other increases	(15)	-	(19)	(16)	(10)	(8)
C. Reductions	**5,517**	**64**	**1,738**	**140**	**828**	**19**
C.1 write-backs from assessments	123	15	210	49	169	1
C.2 write-backs from recoveries	369	10	358	50	282	3
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-offs	5,026	39	184	-	2	-
C.5 transfers to other impaired exposures	-	-	967	41	363	15
C. 6 contractual changes without cancellations	-	-	-	-	-	-
C.7 other decreases	(1)	-	19	-	12	-
D. Closing overall amount of writedowns	**(14,909)**	**(246)**	**(3,850)**	**(336)**	**(1,370)**	**(14)**
- Sold but not derecognised	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.2 Breakdown of financial assets, commitments and financial guarantees given by internal and external ratings

A.2.1 Distribution of financial assets, commitments to disburse funds and financial guarantees issued: for external rating classes (gross values)

(Amounts in € thousand)

Exposures	External rating classes						Without rating	Total
	Class 1	class 2	class 3	class 4	class 5	class 6		
A. Financial assets valued at amortized cost	**8,978,762**	**6,254,363**	**6,227,579**	**179**	**-**	**-**	**6,469,743**	**27,930,626**
- Stage 1	8,978,762	6,254,363	6,227,579	179	-	-	6,399,274	27,860,157
- Stage 2	-	-	-	-	-	-	46,374	46,374
- Stage 3	-	-	-	-	-	-	24,095	24,095
- Purchased or originated impaired	-	-	-	-	-	-	-	-
B. Financial assets valued at fair value with impact on overall profitability	**29,064**	**-**	**-**	**-**	**-**	**-**	**-**	**29,064**
- Stage 1	29,064	-	-	-	-	-	-	29,064
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Stage 1	-	-	-	-	-	-	-	-
- Stage 2	-	-	-	-	-	-	-	-
- Stage 3	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**9,007,826**	**6,254,363**	**6,227,579**	**179**	**-**	**-**	**6,469,743**	**27,959,690**
D. Commitments and financial guarantees given	**-**	**-**	**17,170**	**-**	**-**	**-**	**297,695**	**314,865**
- Stage 1	-	-	17,170	-	-	-	297,191	314,361
- Stage 2	-	-	-	-	-	-	317	317
- Stage 3	-	-	-	-	-	-	187	187
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**17,170**	**-**	**-**	**-**	**297,695**	**314,865**
Total (A+B+C+D)	**9,007,826**	**6,254,363**	**6,244,749**	**179**	**-**	**-**	**6,767,438**	**28,274,555**

The table shows the breakdown of on-balance sheet and off-balance-sheet exposures to counterparties with an external rating. Rating agencies provide a summary assessment on the creditworthiness of different type of counterparties: Countries, Banks, Public Bodies, Insurance Companies and Businesses, usually large-scale.

The table refers to the classification set forth in the Bank of Italy Circular no. 262/2005 regarding external ratings, which envisages 6 classes of creditworthiness.

The above representation refers to the Standard and Poor's ratings, which were also associated to the ratings of the other two main Agencies, Moody's and Fitch. When there were two credit ratings for an individual exposure provided by two rating agencies the worst rating was recognised; if there were three different ratings the two best ratings were identified and, if they were different, the worst rating from these was recognised.

As part of the calculation of statutory requirements, by using the standard risk calculation method, the Bank relies on the rankings of rating agencies in order to determine the weighting coefficients for exposures to Central governments and Covered bank bonds. In general, a weighting factor of 100% is applied to the remaining credit exposures, subject to the exceptions established by CRR 575/2013, including, for example, exposures to central governments and central banks of Member States denominated and funded in the national currency of those central governments and central banks to which a 0% risk weight is applied, as specified in Article 114 of the CRR.

Part E - Information on Risks and relating hedging policies

As of December 31st, 2023, retail credit exposures mainly consist of personal loans, mortgages credit cards spending - both installment or revolving - , unsecured and secured overdraft facilities and securities lending not externally rated. Rated exposures towards non-retail customers mainly derive from securities issued by Sovereign counterparties and from credits with banks having a high credit rating.

A.2.2 Breakdown of on-balance sheet and off-balance-sheet financial assets, commitments and financial guarantees given: breakdown by internal rating class (gross amount)

This table has not been included because internal ratings are not used to managed credit risk.

A.3 Breakdown of secured exposures by type of collateral

A.3.1 Secured on-balance sheet and off-balance-sheet exposures to banks

(Amounts in € thousand)

			Real guarantees(1)				Personal guarantees (2)	
							Credit derivatives	
								Other derivatives
	Gross exposure	Net exposures	Property - mortgages	Property - Financial leases	Securities	Other real guarantees	CLN	Central counterparties
1. Secured on-balance sheet exposures:	**628,500**	**628,500**	**-**	**-**	**621,906**	**-**	**-**	**-**
1.1 totally secured	397	397	-	-	396	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
1.2 partially secured	628,103	628,103	-	-	621,510	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**17,166**	**17,165**	**-**	**-**	**17,165**	**-**	**-**	**-**
2.1 totally secured	17,166	17,165	-	-	17,165	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.3.1 Secured on-balance sheet and off-balance-sheet exposures to banks

(continued)

(Amounts in € thousand)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Signature credits				
	Other derivatives							
	Banks	Other financial entities	Other entities	Public entities	Banks	Other financial entities	Other entities	
1. Secured on-balance sheet exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**621,906**
1.1 totally secured	-	-	-	-	-	-	-	396
- of which impaired	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	621,510
- of which impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,165**
2.1 totally secured	-	-	-	-	-	-	-	17,165
- of which impaired	-	-	-	-	-	-	-	-
2.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-

A.3.2 Secured on-balance sheet and off-balance-sheet exposures to customers

(Amounts in € thousand)

	Gross exposure	Net exposures	Real guarantees (1)				Personal guarantees (2)	
							Credit derivatives	
								Other derivatives
			Property - Mortgages	Property - Financial leases	Securities	Other real assets	CLN	Central counterparties
1. Secured on-balance sheet:	**5,027,535**	**5,022,167**	**2,499,627**	**-**	**2,354,904**	**68,093**	**-**	**-**
1.1 totally secured	5,021,577	5,016,240	2,498,630	-	2,353,313	68,063	-	-
- of which: impaired	2,136	1,456	1,101	-	354	1	-	-
1.2 partially secured	5,958	5,927	997	-	1,591	30	-	-
- of which: impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**299,381**	**299,203**	**-**	**-**	**235,990**	**4,020**	**-**	**-**
2.1 totally secured	299,348	299,170	-	-	235,970	4,019	-	-
- of which: impaired	124	123	-	-	123	-	-	-
2.2. partially secured	33	33	-	-	20	1	-	-
- of which: impaired	-	-	-	-	-	-	-	-

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A.3.2 Secured on-balance sheet and off-balance-sheet exposures to customers

(continued)

(Amounts in € thousand)

	Personal guarantees (2)							Total (1)+(2)
	Credit derivatives			Signature credits				
	Other derivatives							
	Banks	Other financial entities	Other entities	Public entities	Banks	Other financial entities	Other entities	
1. Secured on-balance sheet:	**-**	**-**	**-**	**-**	**-**	**95,829**	**-**	**5,018,453**
1.1 totally secured	-	-	-	-	-	95,829	-	5,015,835
- of which: impaired	-	-	-	-	-	-	-	1,456
1.2 partially secured	-	-	-	-	-	-	-	2,618
- of which: impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**59,181**	**-**	**299,191**
2.1 totally secured	-	-	-	-	-	59,181	-	299,170
- of which: impaired	-	-	-	-	-	-	-	123
2.2. partially secured	-	-	-	-	-	-	-	21
- of which: impaired	-	-	-	-	-	-	-	-

A.4 Financial and non-financial assets obtained through the enforcement of guarantees received

No data to report.

Part E - Information on Risks and relating hedging policies

B. Distribution and concentration of credit exposures

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

(Amounts in € thousand)

Exposures/Counterparty		Public entities		Financial entities		Financial companies (of which: insurance companies)	
		Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet credit exposures							
A.1 Bad loans		-	-	-	(1)	-	-
- of wich: forborne exposures		-	-	-	-	-	-
A.2 Unlikely to pay		-	-	5	(21)	-	-
- of wich: forborne exposures		-	-	-	-	-	-
A.3 Past-due impaired loans		-	-	-	-	-	-
- of wich: forborne exposures		-	-	-	-	-	-
A.4 Performing exposures		18,777,185	(5,515)	502,093	(442)	22,693	(3)
- of wich: forborne exposures		-	-	-	-	-	-
Total (A)		**18,777,185**	**(5,515)**	**502,098**	**(464)**	**22,693**	**(3)**
B. Off-balance sheet exposures							
B.1 Impaired		-	-	-	-	-	-
B.2 Unimpaired		78	-	267,359	(143)	-	-
Total (B)		**78**	**-**	**267,359**	**(143)**	**-**	**-**
Total (A+B)	**12/31/2023**	**18,777,263**	**(5,515)**	**769,457**	**(607)**	**22,693**	**(3)**
Total (A+B)	**12/31/2022**	**21,024,339**	**(7,243)**	**364,270**	**(457)**	**28,909**	**(8)**

Part E - Information on Risks and relating hedging policies

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

(continued)

(Amounts in € thousand)

Exposures/Counterparty		Non-financial entities		Households	
		Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet credit exposures					
A.1 Bad loans		-	(4)	1,110	(14,904)
- of wich: forborne exposures		-	-	21	(246)
A.2 Unlikely to pay		25	(91)	1,785	(3,738)
- of wich: forborne exposures		-	-	234	(336)
A.3 Past-due impaired loans		1	(3)	1,039	(1,367)
- of wich: forborne exposures		-	-	4	(14)
A.4 Performing exposures		1,340	(12)	5,668,549	(11,766)
- of wich: forborne exposures		-	-	2,184	(41)
Total (A)		**1,366**	**(110)**	**5,672,483**	**(31,775)**
B. Off-balance sheet exposures					
B.1 Impaired		-	-	203	(115)
B.2 Unimpaired		2,478	-	2,182,789	(45)
Total (B)		**2,478**	**-**	**2,182,992**	**(160)**
Total (A+B)	**12/31/2023**	**3,844**	**(110)**	**7,855,475**	**(31,935)**
Total (A+B)	**12/31/2022**	**3,123**	**(79)**	**8,141,090**	**(33,587)**

Exposures connected to the counterparty risk related to securities lending or borrowing transactions are not included.

Part E - Information on Risks and relating hedging policies

B.2 Distribution of balance sheet and off-balance sheet exposures to customers by geographic area

(Amounts in € thousand)

Exposures/Geographical area	Italy		Other european countries		America
	Net exposures	Total impairments	Net exposures	Total impairments	Net exposures
A. On-balance sheet exposures					
A.1 Bad loans	1,106	(14,872)	2	(23)	2
A.2 Unlikely to pay	1,810	(3,832)	-	-	-
A.3 Impaired past-due exposures	1,039	(1,368)	1	(2)	-
A.4 Unimpaired exposures	11,240,477	(15,874)	11,954,139	(1,601)	768,740
Total (A)	**11,244,432**	**(35,946)**	**11,954,142**	**(1,626)**	**768,742**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	203	(115)	-	-	-
B.2 Unimpaired exposures	2,444,672	(187)	7,392	-	57
Total (B)	**2,444,875**	**(302)**	**7,392**	**-**	**57**
Total (A+B) 12/31/2023	**13,689,307**	**(36,248)**	**11,961,534**	**(1,626)**	**768,799**
Total (A+B) 12/31/2022	**16,084,949**	**(38,659)**	**11,755,631**	**(2,287)**	**764,055**

B.2 Distribution of balance sheet and off-balance sheet exposures to customers by geographic area

(continued)

(Amounts in € thousand)

Exposures/Geographical area	America	Asia		Rest of the world	
	Total impairments	Net exposures	Total impairments	Net exposures	Total impairments
A. On-balance sheet exposures					
A.1 Bad loans	(13)	-	-	-	(1)
A.2 Unlikely to pay	-	5	(17)	-	(1)
A.3 Impaired past-due exposures	-	-	-	-	-
A.4 Unimpaired exposures	(110)	258,455	(99)	727,356	(51)
Total (A)	**(123)**	**258,460**	**(116)**	**727,356**	**(53)**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	-	-	-	-	-
B.2 Unimpaired exposures	-	579	-	4	(1)
Total (B)	-	**579**	**-**	**4**	**(1)**
Total (A+B) 12/31/2023	**(123)**	**259,039**	**(116)**	**727,360**	**(54)**
Total (A+B) 12/31/2022	**(285)**	**258,468**	**(88)**	**669,719**	**(47)**

Exposures connected to the counterparty risk related to securities lending or borrowing transactions are not included.

Part E - Information on Risks and relating hedging policies

B.2 Breakdown of on-balance sheet and off-balance-sheet credit exposures to customers by geography

(Amounts in € thousand)

Exposures/Geographic area		North-West Italy		North-East Italy		Central Italy		South Italy and Islands	
		Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments	Net exposure	Total impairments
A. On-balance sheet exposures									
A.1 Bad loans		281	(3,810)	88	(1,408)	244	(3,537)	493	(6,117)
A.2 Unlikely to pay		526	(1,131)	173	(337)	262	(873)	849	(1,491)
A.3 Impaired past-due exposures		355	(396)	136	(186)	259	(356)	289	(430)
A.4 Unimpaired exposures		2,489,536	(4,181)	801,631	(1,285)	6,695,682	(7,848)	1,253,628	(2,560)
Total (A)		**2,490,698**	**(9,518)**	**802,028**	**(3,216)**	**6,696,447**	**(12,614)**	**1,255,259**	**(10,598)**
B. Off-balance sheet credit exposures									
B.1 Impaired exposures		56	(24)	13	(19)	12	(17)	122	(55)
B.2 Unimpaired exposures		1,148,620	(158)	352,929	(10)	514,972	(9)	428,151	(10)
Total (B)		1,148,676	(182)	352,942	(29)	514,984	(26)	428,273	(65)
Total (A+B)	**12/31/2023**	**3,639,374**	**(9,700)**	**1,154,970**	**(3,245)**	**7,211,431**	**(12,640)**	**1,683,532**	**(10,663)**
Total (A+B)	**12/31/2022**	**3,154,860**	**(10,721)**	**1,247,929**	**(3,488)**	**9,950,403**	**(13,406)**	**1,731,757**	**(11,044)**

Part E - Information on Risks and relating hedging policies

B.3 Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geography

(Amounts in € thousand)

Exposures/Geographical Area	Italy		Other european countries		America
	Net exposures	Total impairments	Net exposures	Total impairments	Net exposures
A. On-balance sheet exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-
A.4 Not impaired exposures	3,119,761	(160)	1,115,035	(135)	161,587
Total (A)	**3,119,761**	**(160)**	**1,115,035**	**(135)**	**161,587**
B. Off-balance sheet credit exposures					
B.1 Impaired exposure	-	-	-	-	-
B.2 Unimpaired exposure	17,341	(1)	896,721	-	-
Total (B)	**17,341**	**(1)**	**896,721**	**-**	**-**
Total (A+B) 12/31/2023	**3,137,102**	**(161)**	**2,011,756**	**(135)**	**161,587**
Total (A+B) 12/31/2022	**3,482,724**	**(182)**	**2,866,048**	**(152)**	**98,925**

B.3 Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geography

(continued)

(Amounts in € thousand)

Exposures/Geographical Area	America	Asia		Rest of the world	
	Total impairments	Net exposures	Total impairments	Net exposures	Total impairments
A. On-balance sheet exposures					
A.1 Bad loans	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-
A.4 Not impaired exposures	(20)	-	-	821,469	(57)
Total (A)	**(20)**	**-**	**-**	**821,469**	**(57)**
B. Off-balance sheet credit exposures					
B.1 Impaired exposure	-	-	-	-	-
B.2 Unimpaired exposure	-	-	-	-	-
Total (B)	**-**	**-**	**-**	**-**	**-**
Total (A+B) 12/31/2023	**(20)**	**-**	**-**	**821,469**	**(57)**
Total (A+B) 12/31/2022	**(7)**	**-**	**-**	**718,953**	**(50)**

Exposures connected to the counterparty risk related to securities lending or borrowing transactions are not included.

Part E - Information on Risks and relating hedging policies

B.3 Breakdown of on-balance sheet and off-balance-sheet credit exposures to banks by geography - Italy

(Amounts in € thousand)

Exposures / Geographical Area	North-West Italy		North-East Italy		Central Italy		South-Italy and Islands	
	Net exposures	Total impairments	Net exposures	Total impairments	Net exposures	Total impairments	Net exposures	Total impairments
A. On-balance sheet exposures								
A.1 Bad loans	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-	-	-	-
A.4 Unimpaired exposures	887,745	(77)	29,423	(5)	2,202,593	(78)	-	-
TOTAL	**887,745**	**(77)**	**29,423**	**(5)**	**2,202,593**	**(78)**	**-**	**-**
B. Off-balance sheet credit exposures								
B.1 Impaired exposures	-	-	-	-	-	-	-	-
B.2 Unimpaired exposures	17,341	(1)	-	-	-	-	-	-
Total (B)	**17,341**	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B) 12/31/2023	**905,086**	**(78)**	**29,423**	**(5)**	**2,202,593**	**(78)**	**-**	**-**
Total (A+B) 12/31/2022	**1,944,291**	**(123)**	**29,377**	**(7)**	**1,509,056**	**(52)**	**-**	**-**

Part E - Information on Risks and relating hedging policies

B.4 Large exposures

As at December 31st, 2023, the "risk positions" constituting a "large exposure" pursuant to the Commission Implementing Regulation (EU) No 451/2021 of December 17th, 2020 which establishes technical implementation rules with regard to the reporting of entities for supervisory purposes in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, and subsequent Regulations that modify the content (CRR), are the following:

- book value: € 24,594,510 thousand, excluding reverse repo transactions and indirect exposures as defined below;
- non-weighted value: € 29,660,415 thousand, including repurchase agreements and indirect exposures;
- weighted value: € 1,762,360 thousand, including repurchase agreements and indirect exposures;
- number of "risk positions": 32.

It should be noted that, in accordance with the EBA Guidelines on connected customers pursuant to Article 4, paragraph 1, point 39) of CRR, the large exposures also include counterparties with links with central governments that, although they do not individually exceed the 10% threshold of the eligible capital for large exposures, exceed this limit when the exposure to the sovereign to which they are linked by a control relationship is also considered.

It should be also noted that CRR introduced the requirement to apply the "Substitution Approach", whereby an Institution, when reducing its exposure to a client using a credit risk mitigation technique eligible under Article 399, paragraph 1, treats, in the manner set out in Article 403, the portion of the exposure corresponding to the reduction as an exposure to the protection provider rather than to the client. This implies compliance with the limits set by Article 395 CRR on the sum of direct exposures to clients and exposures represented by collateral received ("indirect exposures"). In addition, the Regulation requires institutions to add to the total exposures toward a client the exposures arising from derivative contracts where the contract has not been directly concluded with that client but the underlying debt or equity instrument has been issued by that client ("indirect exposures").

Following the deconsolidation of FinecoBank from the UniCredit Group took place, FinecoBank and UniCredit S.p.A. have entered into a contract (Pledge Agreement) which provides for the granting by UniCredit S.p.A. of financial guarantees in favour of FinecoBank aimed at guaranteeing credit risk exposures represented by UniCredit bonds, until their natural expiry, and from the financial guarantees issued by FinecoBank in favour of the Agency of Enter at the request of UniCredit S.p.A., until they are completely extinguished. These guarantees meet the requirements of the applicable legislation to be eligible in the context of credit risk mitigation techniques (CRM), with the consequent reduction in the exposure to UniCredit Group for the purposes of determining the Fineco's large exposures.

Finally, please note that deferred tax assets within the exposure towards the Italian Central Government have been exempted and, therefore, their weighted value is null.

Part E - Information on Risks and relating hedging policies

C. Securitisation transactions

Qualitative information

No data to report.

Quantitative information

No data to report.

D. Disclosure on structured entities not consolidated (other than securitisation companies)

The qualitative and quantitative disclosures in this section are not to be provided by banks that prepare consolidated financial statements in accordance with Bank of Italy Circular 262.

E. Sales Transactions

A. Financial assets sold and partially derecognised

Qualitative information

The Bank carries out repurchase and reverse repurchase agreements and securities lending transactions secured by cash, which are in substance equivalent to repurchase agreements, using own securities and securities not recognised as assets, received through reverse repurchase and securities lending transactions. Owned securities engaged in repurchase agreements have not been eliminated from the balance sheet as the Bank enters into repurchase agreements with an obligation for the transferee to resell at maturity the assets involved in the transaction and retains all risks associated with ownership of the securities.

The Bank also carries out securities lending transactions with collateral represented by other securities, as lender, against its own securities.

Part E - Information on Risks and relating hedging policies

Quantitative information

E.1 Financial assets sold but not derecognised and associated financial liabilities: carrying value

(Amounts in € thousand)

	Financial assets sold but not derecognised				Associated financial liabilities		
	Carrying amount	of which: securisation	of which: repurchase agreement	of which: impaired	Carrying amount	of which: securisation	of which: repurchase agreement
A. Financial assets held for trading	**-**	**-**	**-**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	X	-	-	-
4. Derivative instruments	-	-	-	X	-	-	-
B. Other financial assets mandatorily at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
C. Financial assets designated at fair value	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Loans	-	-	-	-	-	-	-
D. Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1. Debt securities	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	X	-	-	-
3. Loans	-	-	-	-	-	-	-
E. Financial assets at amortised cost	**2,270,336**	**-**	**2,270,336**	**-**	**2,313,880**	**-**	**2,313,880**
1. Debt securities	2,270,336	-	2,270,336	-	2,313,880	-	2,313,880
2. Loans	-	-	-	-	-	-	-
Total 12/31/2023	**2,270,336**	**-**	**2,270,336**	**-**	**2,313,880**	**-**	**2,313,880**
Total 12/31/2022	**3,642,588**	**-**	**3,642,588**	**-**	**3,466,841**	**-**	**3,466,841**

Please note that the amount of financial liabilities in the table above has been shown gross of the accounting off-setting made according to IAS 32.

The above table excludes financial assets sold under securities lending transactions without collateral or with collateral represented by other securities, with which no liability is associated.

E.2 Financial assets sold partially recognized and associated financial liabilities: carrying value

No data to report.

E.3 Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognised: fair value

No data to report.

Part E - Information on Risks and relating hedging policies

B. Assets sold and fully derecognised with recognition of continuing involvement

Qualitative information

No data to report.

Qualitative information

No data to report.

C. Securitisation transactions

Qualitative information

No data to report.

Quantitative information

No data to report.

D. Covered bond transactions

No data to report.

F. Credit Risk Measurement Models

Credit Risk Measurement – Trading Book

The monitoring of the credit risk taken on in the trading book is carried out through the daily measurement of VaR and Credit Spread VaR, measures that directly impact the calculation of Internal Capital. However, the trading book's exposure to credit risk remains extremely limited.

Credit Risk Measurement – Banking Book

The Bank's banking portfolio consists mainly of securities, current accounts with credit institutions and deposits with the Bank of Italy. Exposures to institutional counterparties are assigned a rating class. Activity with retail customers is limited to the granting of personal loans, mortgages, credit cards and overdraft facilities.

Part E - Information on Risks and relating hedging policies

Information on securities issued by Sovereigns

The Bank is exposed to the sovereign debt of some countries having invested a portion of its assets in debt securities issued by governments and recognised in the item “Financial assets designated at fair value through other comprehensive income” and in “Financial assets measured at amortised cost”. The following table shows the nominal value, the carrying amount and the fair value of these exposures as at December 31st, 2023. The Bank is exposed to debt securities issued by Sovereigns which are classified under the item "Other financial assets mandatorily at fair value" for € 48 thousand.

In addition, the Bank hold investments in debt securities issued by Supranational institutions and Agencies accounted for in "Financial assets at amortised cost”.

(Amounts in € thousand)

	Nominal value as at 12/31/2023	Carrying amount as at 12/31/2023	Fair value as at 12/31/2023	% Financial statements item 12/31/2023
Italy	**5,206,299**	**5,144,659**	**4,925,281**	**15.5%**
Financial assets at amortised cost	5,206,299	5,144,659	4,925,281	18.4%
Spain	**4,822,000**	**4,569,998**	**4,521,863**	**13.7%**
Financial assets at amortised cost	4,822,000	4,569,998	4,521,863	16.4%
Germany	**175,000**	**171,792**	**161,508**	**0.5%**
Financial assets at amortised cost	175,000	171,792	161,508	0.6%
France	**1,508,500**	**1,495,107**	**1,368,430**	**4.5%**
Financial assets at fair value through other comprehensive income	35,000	29,062	29,062	100.0%
Financial assets at amortised cost	1,473,500	1,466,045	1,339,368	5.3%
U.S.A.	**565,611**	**553,551**	**550,809**	**1.7%**
Financial assets at amortised cost	565,611	553,551	550,809	2.0%
Austria	**671,000**	**677,113**	**611,262**	**2.0%**
Financial assets at amortised cost	671,000	677,113	611,262	2.4%
Ireland	**960,500**	**934,278**	**917,835**	**2.8%**
Financial assets at amortised cost	960,500	934,278	917,835	3.4%
United Kingdom	**23,014**	**22,924**	**22,935**	**0.1%**
Financial assets at amortised cost	23,014	22,924	22,935	0.1%
Belgium	**715,000**	**720,605**	**657,501**	**2.2%**
Financial assets at amortised cost	715,000	720,605	657,501	2.6%
Portugal	**330,000**	**371,608**	**339,108**	**1.1%**
Financial assets at amortised cost	330,000	371,608	339,108	1.3%
Switzerland	**21,598**	**21,726**	**21,723**	**0.1%**
Financial assets at amortised cost	21,598	21,726	21,723	0.1%
Saudi Arabia	**90,000**	**90,338**	**77,339**	**0.3%**
Financial assets at amortised cost	90,000	90,338	77,339	0.3%
Chile	**203,100**	**212,968**	**175,140**	**0.6%**
Financial assets at amortised cost	203,100	212,968	175,140	0.8%
China	**165,832**	**165,270**	**137,489**	**0.5%**
Financial assets at amortised cost	165,832	165,270	137,489	0.6%
Latvia	**30,000**	**29,772**	**23,964**	**0.1%**
Financial assets at amortised cost	30,000	29,772	23,964	0.1%
Iceland	**15,000**	**14,973**	**13,068**	**0.0%**
Financial assets at amortised cost	15,000	14,973	13,068	0.1%
Total sovereign exposures	**15,502,454**	**15,196,682**	**14,525,255**	**45.7%**

The % reported in line with Sovereign counterparties and in the item "Total Sovereign exposures" have been determined on the total assets of the Bank, while the % reported in line with the balance sheet items were determined on the total of the individual items of the financial statements.

It should be noted that securities denominated in currencies other than the euro have been converted into euro according to the spot exchange rate at the reference date of the financial statements.

As at December 31st, 2023, investments in debt securities issued by Sovereign States accounted for 45.7% of the Bank’s total assets and none of them were structured debt securities.

Part E - Information on Risks and relating hedging policies

The following table shows the Sovereign ratings as at December 31st, 2023 for countries to which the Bank is exposed, provided by Fitch Ratings, Moody's and Standard & Poor's.

	Moody's	Fitch Ratings	Standard & Poor's
Italy	Baa3	BBB	BBB
Spain	Baa1	A-	A
Germany	Aaa	AAA	AAA
France	Aa2	AA-	AA
USA	Aaa	AA+	AA+
Austria	Aa1	AA+	AA+
Ireland	Aa3	AA-	AA
Belgium	Aa3	AA-	AA
Portugal	A3	A-	BBB+
United Kingdom	Aa3	AA-	AA
Switzerland	Aaa	AAA	AAA
Saudi Arabia	A1	A+	A
Chile	A2	A-	A+
China	A1	A+	A+
Latvia	A3	A-	A+
Iceland	A2	A	A+

Part E - Information on Risks and relating hedging policies

Section 2 - Market risk

Market risk derives from changes in market variables (interest rates, securities prices, exchange rates, etc.) affecting the economic value of the Bank's portfolio. The latter includes assets held in the trading book (assets held for trading) as well as those in the banking book, i.e. the transactions connected to strategic investment choices.

Risk Management Strategies and Processes

Please refer to the paragraph "Risk Management Strategies and Processes" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.2 Market risk, which is deemed to be reported here in full.

Structure and Organisation

Please refer to the paragraph "Structure and Organisation" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.2 Market risk, which is deemed to be reported here in full.

Impacts of the crisis unfolded by Russia-Ukraine military conflict

Please refer to the paragraph "Impacts of the crisis unfolded by Russia-Ukraine military conflict" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.2 Market risk, which is deemed to be reported here in full.

Risk measurement and reporting framework

Please refer to the paragraph "Risk measurement and reporting framework" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.2 Market risk, which is deemed to be reported here in full.

Procedures and methodologies for valuation of Trading Book positions

Please refer to the paragraph "Procedures and methodologies for valuation of Trading Book positions" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.2 Market risk, which is deemed to be reported here in full.

Risk measures

Please refer to the paragraph "Risk measures" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.2 Market risk, which is deemed to be reported here in full.

Part E - Information on Risks and relating hedging policies

2.1 Interest rate risk and price risk – regulatory trading book

Qualitative information

A. General Matters

Please refer to the paragraph "A. General Matters" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.2 Market risk, 1.2.1 Interest rate risk and price risk – regulatory trading book, which is deemed to be reported here in full.

B. Processes for managing and methods for measuring interest rate risk and price risk

Please refer to the paragraph "B. Processes for managing and methods for measuring interest rate risk and price risk" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.2 Market risk, 1.2.1 Interest rate risk and price risk – regulatory trading book, which is deemed to be reported here in full.

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Regulatory trading book: distribution by maturity (repricing date) of on-balance sheet financial assets and liabilities and financial derivatives – Currency: Euro

(Amounts in € thousand)

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	3	-
+ Short positions	-	-	-	3	72	-	3	-
- Others derivates								
+ Long positions	466	124,718	172	-	526	-	3,752	-
+ Short positions	466	124,457	172	-	526	-	3,658	-
3.2 Without underlying security								
- Options								
+ Long positions	-	294	-	-	-	-	-	-
+ Short positions	-	256	-	-	-	-	-	-
- Others derivatives								
+ Long positions	-	97,389	150	24,600	-	-	-	-
+ Short positions	20	101,969	260	24,080	-	-	-	-

Item 3.1 “Financial Derivatives with underlying securities - Other Derivatives” includes spot contracts for the purchase and sale of securities, other than shares and UCITS units, to be settled in times established by market practices ("regular way").

Item 3.2 “Financial Derivatives without underlying securities - Other Derivatives” includes spot contracts for the purchase and sale of foreign currencies, to be settled in times established by market practices ("regular way").

Part E - Information on Risks and relating hedging policies

Currency: Other currencies

(Amounts in € thousand)

Type/Residual maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months and 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-	-
1.2 Other assets	-	-	-	-	-	-	-	-
2. On-balance sheet liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Repos	-	-	-	-	-	-	-	-
2.2 Other liabilities	-	-	-	-	-	-	-	-
3. Financial derivatives								
3.1 With underlying security								
- Options								
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others derivates								
+ Long positions	-	81,338	-	13	2	-	-	-
+ Short positions	-	83,841	-	13	2	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	367	-	-	-	-	-	-
+ Short positions	-	417	-	-	-	-	-	-
- Others derivatives								
+ Long positions	35	118,339	647	42,180	-	-	-	-
+ Short positions	17	113,483	522	42,604	-	-	-	-

Item 3.1 “Financial Derivatives with underlying securities - Other Derivatives” includes spot contracts for the purchase and sale of securities, other than shares and UCITS units, to be settled in times established by market practices ("regular way").

Item 3.2 “Financial Derivatives without underlying securities - Other Derivatives” includes spot contracts for the purchase and sale of foreign currencies, to be settled in times established by market practices ("regular way").

The effects of changes in the yield curve on net interest margin arising from instruments in the trading book are negligible. For similar considerations regarding the banking book, see paragraph 2. Banking book: internal models and other methods of sensitivity analysis.

2. Regulatory trading book: distribution of exposures in equity instruments and share indices for the main stock market countries

(Amounts in € thousand)

Type of transaction/listing index	Listed						Unlisted
	ITALY	U.S.A.	LUXEMBOURG	SPAIN	NETHERLANDS	OTHER COUNTRY	
A. Equity instruments							
- long positions	305	3,189	2,785	187	512	1,788	-
- short positions	301	621	31	208	35	1,013	-
B. Unsettled equity instrument trades							
- long positions	44,280	52,496	26,604	23,720	21,321	31,499	-
- short positions	44,320	52,455	26,869	23,739	21,229	31,596	-
C. Other equity instruments derivatives							
- long positions	634	2,418	541	321	162	1,538	-
- short positions	542	5,293	2,683	302	752	2,284	-
D. Share index derivatives							
- long positions	63,966	278	-	-	-	1,403	-
- short positions	39,727	18,081	-	202	-	9,568	-

In consistency with the market risk appetite and the Market Risk Policy approved by the Board of Directors of the Parent Company, Fineco does not take directional speculative positions on its portfolios. The trading portfolio is moved exclusively for the brokerage business with customers (dealing on own account); the positions linked to this activity are therefore subject to a series of limits established by the policies which lead to a substantial closure of the market risk deriving from the positions at the end of the day.

Such policies lead to a high daily turnover of instruments in the trading book. Considering this context, it is not significant to report evidence regarding the impact of the change in prices of equity securities and stock indices on the intermediation margin, on the operating result and on net equity, as well as the results of the scenario analyses.

3. Regulatory trading book: internal models and other methods of sensitivity analysis

The Bank monitors the VaR of the Trading Book on a daily basis.

As at December 31st, 2023, the daily VaR of the trading book amounted to € 288 thousand. The average for the year 2023 is € 183 thousand, with a maximum peak of € 487 thousand and a minimum of € 25 thousand.

The volatility in the price of instruments determines direct impacts on the income statement.

The Risk Management has implemented a control framework concerning limits on positions open at the end of the day, on the P&L generated and on the VaR calculated on the positions open at the end of the day (limits never reached during the year). During 2023, losses were recorded on 15 days, and among these only on one did the loss exceed the VaR value (€ 40 thousands versus € 25 thousands).

2.2 Interest rate risk and price risk – banking book

Qualitative information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

Focus on the bond portfolio

With specific reference to FinecoBank's HTC portfolio, which as at December 31st, 2023, is mainly made by government bonds and supranational bonds (securities issued by Sovereign, Supranational institutions and International Government Organisations), changes in interest rates could lead to positive or negative changes in fair value, which are not recognised in the income statement, as required by accounting standards with reference to instruments classified in the HTC portfolio. It should also be noted that, as at December 31st, 2023, a significant part of the securities portfolio, equal to € 8,047.5 million, is covered by derivative financial instruments, which by nature have a sensitivity opposite to that of the hedged asset. The interest rate risk sensitivity at +100 bps of the securities hedged by derivatives amounts to € -398.59 million, while the sensitivity of the related hedging derivatives amounts to € +347.53 million.

Focus on real estate investments

As at December 31st, 2023, the Bank does not have significant investments in the real estate sector. The only exception is represented by the building located in Milan, where FinecoBank has its registered office. For this real estate property, the market value was determined by an external appraiser, and is made up of the sum of the discounted expected cash flows and the discounted value of the asset at the end of the hypothesized time frame. The discount rate, better known as WACC (from the English acronym Weighted Average Cost of Capital), applied for the valuation of the property, represents the expected return that the property investment must generate to remunerate the creditors, any shareholders and the other capital providers. The fair value amounts to € 79.25 million, the sensitivity to the discount rate (WACC) amounts respectively to € -6.24 million in the +100 bps scenario, and to € 6.91 million in the -200 bps scenario.

For any other qualitative information, please refer to the paragraph "A. General aspects, management processes and measurement methods for interest rate risk and price risk" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.2 Market risk, 1.2.2 Interest rate risk and price risk – banking book, which is deemed to be reported here in full.

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Banking book: distribution by maturity (by repricing date) of financial assets and liabilities – Currency: Euro

(Amounts in € thousand)

Type/maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months to 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**4,413,449**	**2,205,497**	**574,164**	**529,118**	**9,245,098**	**12,000,686**	**846,687**	**-**
1.1 Debt securities	-	1,016,726	491,141	372,240	8,388,128	11,106,600	2	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	1,016,726	491,141	372,240	8,388,128	11,106,600	2	-
1.2 Loans to banks	2,037,538	270,117	-	-	-	-	-	-
1.3 Loans to customers	2,375,911	918,654	83,023	156,878	856,970	894,086	846,685	-
- current accounts	2,172,418	49	49	98	546	2	-	-
- others loans	203,493	918,605	82,974	156,780	856,424	894,084	846,685	-
- with early redemption option	7,281	497,065	82,302	153,681	850,912	894,071	846,667	-
- others	196,212	421,540	672	3,099	5,512	13	18	-
2. On-balance sheet liabilities	**27,671,738**	**165,843**	**19,078**	**647,531**	**563,610**	**326,087**	**2,060**	**-**
2.1 Deposits from customers	26,859,072	115,608	18,970	647,313	63,189	14,177	2,060	-
- current accounts	26,742,987	-	-	-	-	-	-	-
- other payables	116,085	115,608	18,970	647,313	63,189	14,177	2,060	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	116,085	115,608	18,970	647,313	63,189	14,177	2,060	-
2.2 Deposits from banks	812,666	50,235	108	218	1,830	1,237	-	-
- current accounts	1,166	-	-	-	-	-	-	-
- other payables	811,500	50,235	108	218	1,830	1,237	-	-
2.3 Debt securities	-	-	-	-	498,591	310,673	-	-
- with early redemption option	-	-	-	-	498,591	310,673	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**5,590,624**	**423,131**	**946,191**	**(1,306,248)**	**(5,171,584)**	**(482,116)**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	5,590,624	423,131	946,191	(1,306,248)	(5,171,584)	(482,116)	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others derivatives	-	5,590,624	423,131	946,191	(1,306,248)	(5,171,584)	(482,116)	-
+ Long positions	-	8,822,461	450,000	1,000,000	1,655,000	-	-	-
+ Short positions	-	3,231,837	26,869	53,809	2,961,248	5,171,584	482,116	-
4. Other off-balance sheet transactions	**(263,773)**	**(9,739)**	**10,338**	**224**	**526**	**262,419**	**5**	**-**
+ Long positions	38	3,876	13,616	224	526	262,419	5	-
+ Short positions	263,811	13,615	3,278	-	-	-	-	-

Loans to customers on current accounts at an indexed rate granted by the Bank have been represented in the “on demand” column. In general, the repricing of the rate takes place at the beginning of the month on the basis of the average of the previous month's daily observations.

Part E - Information on Risks and relating hedging policies

Currency: Other currencies

(Amounts in € thousand)

Type/maturity	On demand	Up to 3 months	Between 3 and 6 months	Between 6 months to 1 year	Between 1 year and 5 years	Between 5 and 10 years	Over 10 years	Indefinite maturity
1. On-balance sheet assets	**252,442**	**134,115**	**97,624**	**386,357**	**126,543**	**1**	**-**	**-**
1.1 Debt securities	-	49,825	97,624	386,357	126,531	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	49,825	97,624	386,357	126,531	-	-	-
1.2 Loans to banks	246,756	46,216	-	-	-	-	-	-
1.3 Loans to customers	5,686	38,074	-	-	12	1	-	-
- current accounts	749	-	-	-	-	1	-	-
- others loans	4,937	38,074	-	-	12	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	4,937	38,074	-	-	12	-	-	-
2. On-balance sheet liabilities	**971,488**	**26,796**	**-**	**-**	**-**	**-**	**-**	**-**
2.1 Deposits from customers	971,449	26,151	-	-	-	-	-	-
- current accounts	961,401	-	-	-	-	-	-	-
- other payables	10,048	26,151	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	10,048	26,151	-	-	-	-	-	-
2.2 Deposits from banks	39	645	-	-	-	-	-	-
- current accounts	39	-	-	-	-	-	-	-
- other payables	-	645	-	-	-	-	-	-
2.3 Debt securities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Others derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**-**	**(5,826)**	**5,826**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	3,294	9,120	-	-	-	-	-
+ Short positions	-	9,120	3,294	-	-	-	-	-

For a description of the effects of a change in interest rates on net interest margin, profit (loss) for the year, shareholders' equity and the results of scenario analysis, see paragraph 2. Banking book: internal models and other methods of sensitivity analysis

2. Banking book: internal models and other methods of sensitivity analysis

EU IRRBB Template

The assessments contained in the EU IRRBB Template report the exposures of the interest rate risk metrics as at December 31st, 2023 and June 30th, 2023. For the description of the scenarios, please refer to the section Qualitative information - Interest rate risk.

(Amounts in € thousand)

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel Up	(48,511)	(77,383)	110,400	113,838
2	Parallel Down	22,242	38,481	(225,399)	(235,729)
3	Steepener shock	52,213	30,469	-	-
4	Flattener shock	(114,566)	(75,240)	-	-
5	Short rates Up	(121,300)	(94,576)	-	-
6	Long rates Down	63,618	49,285	-	-

The table highlights the results and the so-called Supervisory Outlier Test scenarios, as described in the previous paragraph, applied to the economic value and the interest income. With reference to the Economic Value, the results show a negative sensitivity in the event of a rise in rates, parallel or short-term rates, while a positive sensitivity in bullish, parallel or long-term rate scenarios. The sensitivity analysis on the interest margin shows a positive impact in the upward shift on the interest rate curve, while in the downward one a negative impact.

In addition to the SOT scenarios described above, the Bank conducts regulatory sensitivity analyzes on the Economic Value on a weekly basis with parallel scenarios of +/- 200 bps. Assuming a shift of +200 basis points on the euro interest rate curve, the analysis highlights a negative impact of € -48,555 thousand. A shift of -200 basis points highlights a positive impact of € 21,788 thousand.

With reference to the remaining interest rate risk measures, it is reported that the sensitivity analysis on the value of the equity assuming a shift of + 1 basis point (BP01) highlights a negative impact which stands overall at € -210 thousand.

As of December 31st, 2023, the Bank's Interest Rate VaR (*Holding period 1 day, 99% confidence interval) stood at approximately € 9,642 thousand. The average for 2023 is equal to € 10,493 thousand with a maximum peak of € 17,211 thousand and a minimum of € 8,166 thousand.

The total VaR, including the Credit Spread Risk component deriving mainly from sovereign bonds held for the use of liquidity and including the Credit Spread Risk of Unicredit bonds, is equal to € 31,933 thousand. The average for 2023 is equal to € 74,760 thousand with a maximum peak of € 120,556 thousand and a minimum of € 31,579 thousand.

Part E - Information on Risks and relating hedging policies

2.3 Exchange Rate Risk

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

Please refer to the paragraph "A. General aspects, management processes and measurement methods for exchange rate risk" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.2 Market risk, 1.2.3 Exchange Rate Risk, which is deemed to be reported here in full.

B. Exchange rate risk hedging

Please refer to the paragraph "B. Exchange rate risk hedging" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.2 Market risk, 1.2.3 Exchange Rate Risk, which is deemed to be reported here in full.

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

(Amounts in € thousand)

Items	Currency					
	USD	GBP	CHF	JPY	CAD	OTHER CURRENCIES
A. Financial assets	**827,123**	**95,213**	**61,317**	**7,325**	**3,249**	**15,618**
A.1 Debt securities	607,980	22,924	29,432			
A.2 Equity securities	12,266	427			72	
A.3 Loans to banks	164,182	71,069	31,697	7,325	3,176	15,522
A.4 Loans to customers	42,695	793	188		1	96
A.5 Other financial assets						
B. Other assets	**193**	**41**	**1**			**23**
C. Financial liabilities	**818,211**	**95,694**	**61,010**	**7,314**	**3,257**	**14,022**
C.1 Deposits from banks	645					39
C.2 Deposits from customers	817,566	95,694	61,010	7,314	3,257	13,983
C.3 Debt securities in issue						
C.4 Other financial liabilities						
D. Other liabilities	**2,062**	**291**			**1**	**249**
E. Financial derivatives						
- Options						
+ Long positions	711			1		
+ Short positions	492	6		64		
- Other derivatives						
+ Long positions	106,205	9,313	12,529	26,729	2,253	6,941
+ Short positions	104,451	8,357	11,368	26,636	2,133	6,695
Total assets	**934,232**	**104,567**	**73,847**	**34,055**	**5,502**	**22,582**
Total liabilities	**925,216**	**104,348**	**72,378**	**34,014**	**5,391**	**20,966**
Balance (+/-)	**9,016**	**219**	**1,469**	**41**	**111**	**1,616**

The impact of changes in exchange rates are quantified by the daily Forex VaR of the overall portfolio, as described in the following paragraph.

2. Internal models and other methods of sensitivity analysis

As at December 31st, 2023, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately € 149 thousand. The average for the year 2023 is equal to € 86 thousand with a maximum peak of € 149 thousand and a minimum of € 37 thousand.

Part E - Information on Risks and relating hedging policies

Section 3 - Derivative instruments and hedging policies

3.1 Trading book financial derivatives

A. Financial derivatives

A.1 Hedging financial derivatives: end of period notional amounts

(Amounts in € thousand)

Underlying assets / Type of derivatives	Total 12/31/2023				Total 12/31/2022			
	Over the counter				Over the counter			
	Central Counterparts	without central counterparties		Organized markets	Central Counterparts	without central counterparties		Organized markets
		with netting agreement	without netting agreement			with netting agreement	without netting agreement	
1. Debt securities and interest rate indexes	**-**	**-**	**1,088**	**144**	**-**	**-**	**1,289**	**1,003**
a) Options	-	-	28	-	-	-	28	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	144	-	-	-	1,003
e) Others	-	-	1,060	-	-	-	1,261	-
2. Equities instruments and share indices	**-**	**-**	**112,977**	**37,793**	**-**	**-**	**77,458**	**19,993**
a) Options	-	-	15,390	-	-	-	7,947	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	37,793	-	-	-	19,993
e) Others	-	-	97,587	-	-	-	69,511	-
3. Currencies and gold	**-**	**-**	**216,376**	**188**	**-**	**-**	**138,946**	**-**
a) Options	-	-	667	-	-	-	521	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	188	-	-	-	-
e) Others	-	-	215,709	-	-	-	138,425	-
4. Commodities	**-**	**-**	**4,541**	**2,653**	**-**	**-**	**4,118**	**2,553**
5. Others	**-**	**-**	**-**	**286**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**334,982**	**41,064**	**-**	**-**	**221,811**	**23,549**

Letter e) Other in the “Over the counter – Without central counter-parties – not included in netting agreement” column consists of CFD derivatives.

Letter a) Options under the column "Over the counter - Without central counterparties - Without netting arrangements" includes KO Options issued by FinecoBank, as well as certificates issued by FinecoBank, traded on the Vorvel segment and not settled with central counterparties.

Part E - Information on Risks and relating hedging policies

A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

(Amounts in € thousand)

Underlying assets/type of derivatives	Total 12/31/2023				Total 12/31/2022			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	Without central counterparties			Central Counterparts	Without central counterparties		
		With netting agreement	Without netting agreement			With netting agreement	Without netting agreement	
1. Positive fair value								
a) Options	-	-	3	-	-	-	1	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	32	-	-	-	76
g) Others	-	-	3,617	-	-	-	3,753	-
Total	**-**	**-**	**3,620**	**32**	**-**	**-**	**3,754**	**76**
2. Negative Fair value								
a) Options	-	-	1,880	-	-	-	574	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	54	-	-	-	70
g) Others	-	-	1,413	-	-	-	1,140	-
Total	**-**	**-**	**3,293**	**54**	**-**	**-**	**1,714**	**70**

Letter g) Others under the column "Over the counter - Without central counterparties - Without netting agreements" includes CFD derivative contracts.

Letter a) Options under the column "Over the counter - Without central counterparties - Without netting arrangements" includes KO Options issued by FinecoBank, as well as certificates issued by FinecoBank, traded on the Vorvel segment and not settled with central counterparties.

Part E - Information on Risks and relating hedging policies

A.3 OTC trading book financial derivatives: notional amounts, gross positive and negative fair value by counterparty

(Amounts in € thousand)

Underlying assets	Central counterparties	Banks	Other financial entities	Other entities
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	X	-	-	1,088
- positive fair value	X	-	-	12
- negative fair value	X	-	-	1
2) Equity instruments and share indices				
- notional amount	X	3	5,038	107,936
- positive fair value	X	-	96	2,761
- negative fair value	X	-	-	2,776
3) Currencies and gold				
- notional amount	X	147,117	-	69,259
- positive fair value	X	119	-	592
- negative fair value	X	48	-	351
4) Commodities				
- notional amount	X	-	-	4,541
- positive fair value	X	-	-	40
- negative fair value	X	-	-	117
5) Others				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
2) Equity instruments and share indices	-			
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold	-			
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities	-			
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others	-	-	-	-
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.4 OTC financial derivatives - residual maturity: notional values

(Amounts in € thousand)

Underlying/maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivative contracts on debt securities and interest rates	1,060	-	28	1,088
A.2 Financial derivative contracts on equity instruments and share indices	25,116	93	87,768	112,977
A.3 Financial derivatives on exchange rates and gold	216,376	-	-	216,376
A.4 Financial derivatives on commodities	4,202	-	339	4,541
A.5 Financial derivatives on other instruments	-	-	-	-
Total 12/31/2023	**246,754**	**93**	**88,135**	**334,982**
Total 12/31/2022	**166,510**	**87**	**55,214**	**221,811**

B. Credit derivatives

No data to report.

3.2 Hedge account

Qualitative information

In should be noted that the Bank has only fair value hedges in place which respond to an interest rate risk hedging logic, and provide for the exchange of the fixed rate against Euribor and whose valuation, as collateralised, is carried out by discounting future flows with the € STR curve.

A. Fair value hedging

The fair value hedging strategies, aimed at ensuring compliance with the interest rate risk limits for the banking book, are implemented using OTC derivative contracts. The latter, typically asset swaps and interest rate swaps, represent the type of instruments mainly used. Depending on the underlying financial operation, it is possible to distinguish three types of coverage currently in place:

- **Government bond hedging**: a portion of the Bank's liquidity is currently invested in fixed rate government bonds. The choice to purchase fixed rate securities was made taking into account the high liquidity of these instruments compared to floating rate securities available on the market. The Asset Swap provides for the payment of the coupon of the security (fixed rate) and the receipt of the floating rate plus spread, without upfront to be paid/collected on the trading date of the derivative. Derivatives subscribed for the purpose of hedging exactly replicate the hedged security in terms of notional amount, maturity and interest payment dates;
- **Coverage of the sight deposits core component (fixed rate)**: FinecoBank uses an economic-statistical model for the modelling of sight deposit which allows the quantification of a component that is insensitive to changes in interest rates. It is therefore possible to define the hedges to be implemented, in compliance with the sensitivity limits approved by Fineco within the Risk Appetite Framework;
- **Hedging of fixed rate mortgages**: the Bank covers part of the interest rate risk deriving from the fixed rate mortgage portfolio through swap contracts in which it pays a fixed rate and receives a floating rate without a spread. The hedges focus on the fixed rate component beyond 10 years as the lower component can be managed through natural hedges compared to fixed rate liability items of the same maturity.

Finally, it should be noted that during 2023, there were no terminations of hedging relationships, but only closures of hedging derivative contracts at the same time as the sale of hedged assets.

B. Cash flow hedging

Currently there are no cash flow hedging operations generated as part of the Bank's operations.

C. Hedging a net investment in a foreign entity

Currently there are no “hedging a net investment in a foreign entity” operations generated as part of the Bank's operations.

Part E - Information on Risks and relating hedging policies

D. Hedge instrument

A generic hedging relationship for a portfolio of assets/liabilities pursues the objective of offsetting changes in the value of the hedged item contained in a generic portfolio of fixed-rate assets/liabilities.

The ineffectiveness of the hedge is represented by the difference between the change in the fair value of the hedging instruments and the change in the fair value of the hedged monetary amount. The Group uses a testing methodology based on sensitivity analysis. For this purpose, the exposures of the total sensitivity of the hedged item and that of the hedging derivative are compared. The sensitivity expresses the elasticity with respect to each of the rates that make up the risk free curve and is calculated as the change in fair value in relation to an increase in the rate equal to one basis point. The test allows the effectiveness to be verified by analysing the "reduction" of the sensitivity of the overall position after the hedge and comparing it with the same measure referred to the hedged item.

The effectiveness test is performed separately for interest rate swaps hedging assets (mortgages) and interest rate swaps hedging liabilities (core insensitive component of on-demand items). In a specific hedging relationship, derivatives entered into for the purpose of hedging exactly replicate the hedged security in terms of notional amount, maturity and interest payment dates.

All financial hedging derivatives outstanding at December 31st, 2023 are cleared with a Direct Participant to a Central Counterparty.

E. Hedge item

Hedged assets are represented by fixed-rate securities and fixed-rate mortgages granted to customers, recorded in 'Financial assets measured at amortised cost', hedged for the interest rate risk component with asset swaps and interest rate swaps that exchange the fixed-rate coupon of securities or the fixed rate of mortgages for a variable rate.

Hedged liabilities are represented by direct current account deposits from customers (core insensible liquidity), recorded in “Financial liabilities measured at amortised cost”, modelled according to the on-demand model adopted by the Bank.

Part E - Information on Risks and relating hedging policies

Quantitative information

A. Hedging financial derivatives

A.1 Hedging financial derivatives: end of period notional amounts

(Amounts in € thousand)

Underlying assets/type of derivatives	Total 12/31/2023				Total 12/31/2022			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central Counterparts	without central counterparties			Central Counterparts	without central counterparties		
		with netting agreement	without netting agreement			with netting agreement	without netting agreement	
1. Debt securities and interest rate indexes	**11,927,461**	**-**	**-**	**-**	**13,396,612**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	11,927,461	-	-	-	13,396,612	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
2. Equity instruments and share indices	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
3. Currencies and gold	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	-	-	-	-	-
e) Others	-	-	-	-	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**11,927,461**	**-**	**-**	**-**	**13,396,612**	**-**	**-**	**-**

Part E - Information on Risks and relating hedging policies

A.2 Hedging financial derivatives: gross positive and negative fair value – breakdown by product

(Amounts in € thousand)

Underlying assets/Types of derivatives	Positive and negative fair value								Change in the value used to calculate hedge ineffectiveness	
	Total 12/31/2023				Total 12/31/2022				Total	Total
	Over the counter			Organized markets	Over the counter			Organized markets	12/31/2023	12/31/2022
	Central counterparts	Without central counterparties			Central counterparts	Without central counterparties				
		With netting arrangements	Without netting arrangements			With netting arrangements	Without netting arrangements			
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	896,577	-	-	-	1,691,642	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**896,577**	**-**	**-**	**-**	**1,691,642**	**-**	**-**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	59,988	-	-	-	63,752	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**59,988**	**-**	**-**	**-**	**63,752**	**-**	**-**	**-**	**-**	**-**

Part E - Information on Risks and relating hedging policies

A.3 OTC hedging financial derivative: notional amounts, gross positive and negative fair value by counterparty

(Amounts in € thousand)

Underlyings assets	Central Counterparts	Banks	Other financial entities	Other entities
Contracts not included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
2) Equity instruments and share indices				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
3) Currencies and gold				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
4) Commodities				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
5) Others				
- notional amount	X	-	-	-
- positive fair value	X	-	-	-
- negative fair value	X	-	-	-
Contracts included in netting agreement				
1) Debt securities and interest rate indexes				
- notional amount	11,927,461	-	-	-
- positive fair value	896,577	-	-	-
- negative fair value	59,988	-	-	-
2) Equity instruments and share indices				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
3) Currencies and gold				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
4) Commodities				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-
5) Others				
- notional amount	-	-	-	-
- positive fair value	-	-	-	-
- negative fair value	-	-	-	-

Part E - Information on Risks and relating hedging policies

A.4 OTC hedging financial derivative - residual maturity: notional values

(Amounts in € thousand)

Underlying/maturity	Up to 1 year	Between 1 and 5 years	Over 5 years	Total
A.1 Financial derivatives on debt securities and interest rates	1,657,514	4,616,248	5,653,699	11,927,461
A.2 Financial derivatives on equity instruments and share indices	-	-	-	-
A.3 Financial derivatives on exchange rates and gold	-	-	-	-
A.3 Financial derivatives on commodities	-	-	-	-
A.5 Financial derivatives on other instruments	-	-	-	-
Total 12/31/2023	**1,657,514**	**4,616,248**	**5,653,699**	**11,927,461**
Total 12/31/2022	**147,151**	**5,463,153**	**7,786,308**	**13,396,612**

B. Hedging credit derivatives

No data to report.

C. Hedging non derivative instruments

No data to report.

Part E - Information on Risks and relating hedging policies

D. Hedge item

D.1 Fair value hedging

As set out in Part A of these notes to the accounts, the Bank applies the hedge accounting rules set out in IFRS 9 for specific hedging transactions ("MicroHedging"), while it has exercised the option to continue to use IAS 39 for fair value hedges of the interest rate exposure of a portfolio of financial assets or liabilities (general hedging or "Macrohedging").

The table below shows the specific hedging transactions ("MicroHedging") in place, for which the Bank applies the provisions of IFRS 9.

For completeness of information, it should be noted that the generic hedging transactions in place as at December 31st, 2023, for which the Bank applies the provisions of IAS 39, refer to:

- the monetary amount of "Financial assets at amortised cost" hedged amounted to € 1,388,461 thousand, subject to generic hedging, referring exclusively to mortgages;
- the amount of "Financial liabilities at amortised cost" covered amounted to € 3,205,000 thousand, subject to generic hedging, referring exclusively to the core deposits.

(Amounts in € thousand)

	Specific hedges: book value	Specific hedges - net positions: balance sheet value of assets or liabilities (before offsetting)	Specific hedges			Generic hedges: book value
			Accumulated changes in fair value of hedging instrument	Ending of hedge: residual accumulated valute of residual changes in fair value	Change in value used to relieve hedging ineffectiveness	
A. Assets						
1. Financial assets measured at fair value with an impact on total profitability - hedges of:	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities and interest rate	-	-	-	-	-	x
1.2 Equity securities and stock price indices	-	-	-	-	-	x
1.3 Currencies and gold	-	-	-	-	-	x
1.4 Credits	-	-	-	-	-	x
1.5 Other	-	-	-	-	-	x
2. Financial assets measured at amortized cost - hedges of:	**6,877,563**	**6,877,563**	**(640,767)**	**-**	**423,363**	**-**
1.1 Debt securities and interest rate	6,877,563	6,877,563	(640,767)	-	423,363	x
1.2 Equity securities and stock price indices	-	-	-	-	-	x
1.3 Currencies and gold	-	-	-	-	-	x
1.4 Credits	-	-	-	-	-	x
1.5 Other	-	-	-	-	-	x
Total 12/31/2023	**6,877,563**	**6,877,563**	**(640,767)**	**-**	**423,363**	**-**
Total 12/31/2022	**7,760,843**	**7,760,843**	**(1,416,588)**	**-**	**(1,341,416)**	**-**
B. Liabilities						
1, Financial liabilities measured at amortized cost - hedges of:	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities and interest rate	-	-	-	-	-	x
1.2 Currencies and gold	-	-	-	-	-	x
1.3 Other	-	-	-	-	-	x
Total 12/31/2023	**-**	**-**	**-**	**-**	**-**	**-**
Total 12/31/2022	**-**	**-**	**-**	**-**	**-**	**-**

D.2 Cash flow hedging and hedging a net investment in a foreign entity

No data to report.

E. Effects of hedging transactions at shareholders' equity

No data to report.

3.3 Other information on trading book and hedging derivative instruments

A. Financial and credit derivatives

A.1 OTC financial and credit derivatives: net fair values by counterparty

No data to be reported, as there are no trading and hedging derivatives subject to offsetting in the balance sheet pursuant to IAS 32, paragraph 42.

Section 4 - Liquidity Risk

Qualitative information

A. General aspects, management processes and measurement methods for liquidity risk

Please refer to the paragraph “A. General aspects, management processes and measurement methods for liquidity risk” in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.4 Liquidity Risk, which is deemed to be reported here in full.

Quantitative information

The time distribution of financial assets and liabilities is represented in the tables below in accordance with the rules set forth in the financial statements regulations (Bank of Italy Circular 262), using accounting information shown by contractual residual duration. Therefore, data of a managerial nature have not been used, involving, for example, the modelling of on-demand liability items.

Current account overdraft facilities with an open-ended credit agreement until revoked granted by the Bank, initial margins, variation margins and the default fund have conventionally been represented in the on-demand column. To this end, it should be noted that, in general, the Bank has the right to withdraw, at any time, from current account overdraft facilities with an open-ended credit agreement until revoked, and to reduce the amount of the credit facility or to suspend its use with immediate effect, upon the occurrence of legitimate cause or for a justified reason, or with a contractually agreed period of notice. Initial margins, variation margins and default funds, on the other hand, are cash assets without a defined contractual maturity, the amount of which may vary on a daily basis.

Part E - Information on Risks and relating hedging policies

1. Time breakdown by contractual residual maturity of financial assets and liabilities – Currency: Euro

(Amounts in € thousand)

Items/time buckets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 month	Between 3 and 6 month	Between 6 and 1 year	Between 1 and 5 year	Over 5 years	Unspecified maturity
A. On-balance sheet assets	**4,332,593**	**24,608**	**341,181**	**32,053**	**916,096**	**554,780**	**644,211**	**9,670,807**	**13,079,124**	**269,091**
A.1 Government securities	-	-	9,004	3,240	44,508	437,601	365,620	7,197,533	8,457,213	-
A.2 Debt securities	-	406	1,144	1,023	634,175	9,410	71,022	1,536,579	2,578,554	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	4,332,593	24,202	331,033	27,790	237,413	107,769	207,569	936,695	2,043,357	269,091
- Banks	2,037,204	1,892	-	-	1	-	-	-	-	269,091
- Customers	2,295,389	22,310	331,033	27,790	237,412	107,769	207,569	936,695	2,043,357	-
B. On-balance sheet liabilities	**27,706,288**	**161,241**	**287**	**681**	**18,064**	**19,642**	**674,839**	**564,930**	**317,905**	**-**
B.1 Deposits and current accounts	26,752,260	178	287	681	2,371	16,768	666,323	32,921	-	-
- Banks	1,166	-	-	-	-	-	-	-	-	-
- Customers	26,751,094	178	287	681	2,371	16,768	666,323	32,921	-	-
B.2 Debt securities	-	-	-	-	13,875	-	2,500	500,000	300,000	-
B.3 Other liabilities	954,028	161,063	-	-	1,818	2,874	6,016	32,009	17,905	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	155,236	-	-	-	-	-	564	300	812
- Short positions	-	158,741	-	-	144	-	3	636	158	812
C.2 Financial derivatives without exchange of capital										
- Long positions	801	-	5,662	43,704	40,329	93,741	158,232	-	-	-
- Short positions	1,316	-	3,510	4,850	21,886	30,437	57,012	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	4,677	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	4,677	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	38	2	28	438	129	13,616	224	526	262,424	-
- Short positions	263,811	13,305	-	310	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

Currency: Other currencies

(Amounts in € thousand)

Items/time buckets	On demand	Between 1 and 7 days	Between 7 and 15 days	Between 15 days and 1 month	Between 1 and 3 month	Between 3 and 6 month	Between 6 and 1 year	Between 1 and 5 year	Over 5 years	Unspecified maturity
A. On-balance sheet assets	**252,776**	**9,074**	**965**	**25,865**	**53,563**	**147,097**	**399,534**	**126,719**	**1**	**-**
A.1 Government securities	-	-	255	23,028	27,709	100,876	391,861	126,697	-	-
A.2 Debt securities	-	-	-	-	-	-	7,673	-	-	-
A.3 Units in investment funds	23	-	-	-	-	-	-	-	-	-
A.4 Loans	252,753	9,074	710	2,837	25,854	46,221	-	22	1	-
- Banks	246,794	214	-	-	401	46,221	-	-	-	-
- Customers	5,959	8,860	710	2,837	25,453	-	-	22	1	-
B. On-balance sheet liabilities	**972,086**	**26,857**	**-**	**-**	**-**	**-**	**-**	**-**	**580**	**-**
B.1 Deposits and current accounts	961,474	-	-	-	-	-	-	-	-	-
- Banks	39	-	-	-	-	-	-	-	-	-
- Customers	961,435	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	10,612	26,857	-	-	-	-	-	-	580	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	116,857	-	90	188	-	90	27	-	-
- Short positions	-	112,780	-	2,245	506	-	91	27	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	2,846	-	-	-	-	-	-	-	-	-
- Short positions	2,014	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	4,479	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	4,479	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	-	-	9,120	-	-	-	-
- Short positions	-	9,120	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of capital										
- Long positions	-	-	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

Section 5 - Operational risk

Qualitative information

A. General aspects, operational processes and methods for measuring operational risk

Please refer to the paragraph "A. General aspects, management processes and measurement methods for liquidity risk" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.5 Operational risk, Qualitative information, which is deemed to be reported here in full.

B. Risks arising from significant legal disputes

FinecoBank is involved in individually insignificant legal proceedings over which there is considerable uncertainty regarding the outcome and the amount of possible charges, which the Bank could be forced to pay. Where it is possible to reliably estimate the amount of possible charges and the charges are considered likely, provisions have been made in an appropriate amount based on the circumstances and consistent with applicable international accounting standards, by making the best possible estimate of the amount that the Group will reasonably be expected to incur in discharging its obligations. Specifically, as a precaution against these obligations and customer claims that have not yet resulted in legal proceedings, as at December 31st, 2023, FinecoBank had a provision in place for risks and charges of € 23,817 thousand. This provision includes the legal costs borne by the Group in the event of an adverse conclusion of the dispute plus the estimated expenses to be paid to legal advisors and/or any experts who assist the Group in ongoing disputes to the extent that it is believed that they will not be reimbursed by the counterparties. This estimate was determined by the Group, in relation to the current dispute, mainly based on the analysis of Forensic official tariffs provided for by current legislation.

C. Risks arising from tax disputes and audits

Risks arising from tax disputes and audits as at December 31st, 2023 mainly relate to a notice of assessment for the year 2003 received by FinecoBank containing an objection to the use of tax credits for € 2.3 million, in relation to which the Bank has appealed to the Supreme Court as it considers its position to be well-founded. The Bank has already paid the additional taxes and interest due.

With regard to the aforementioned dispute, the higher taxes, interests and penalties have already been recognised in the income statement with a contra entry, respectively, in tax liabilities and the provision for risks and charges. Moreover, tax receivables for the amounts paid to the tax administration have been recognised.

In light of the foregoing, as at December 31st, 2023 the Group had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, to tax liabilities of for a total of € 2.9 million, for higher tax, and to provisions for risks and charges of € 3.5 million, for penalties and interest.

Quantitative information

Operational loss analyses enable the Operational & Reputational Risk team to make assessments on the Bank's exposure to operational risk and to identify any critical areas.

As at December 31st, 2023, around 60% of the Bank's operational losses relate to conduct risk, which includes the two event types "Internal fraud" and "Customers, products and business practices". In particular, the "internal fraud" event type mainly manifests itself through fraud perpetrated to the detriment of customers by financial advisors who are part of the sales network. To mitigate this risk, in addition to the many remote controls carried out on the sales network by various Bank structures (Network Control Department, Internal Audit, Compliance and CRO Department), an insurance policy was taken out on the infidelity of financial advisors. The "Customers, products and professional practices" event type, on the other hand, mainly manifests itself through the misselling of financial products to customers.

The losses relating to the other event types, described in the section "Risk measurement systems", are equal to approximately 40%.

It should be noted that the reduction in the weight of the Banks's operational losses relating to conduct risk compared to December 2022 (they amounted to approximately 76%) is mainly due to the reduction in losses arising from internal fraud (ET 1) during 2023, and only to a small extent to the increase in losses relating to the other event types.

The data reported are consistent with FinecoBank's business model which focuses on offering financial advisory services to retail customers and has one of the largest sales networks in Europe.

Section 6 - Other risks

Please refer to the paragraph "1.6 Other risks" in the Consolidated Financial Statements, Notes to the Consolidated Accounts Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, which is deemed to be reported here in full.

Part F – Shareholders' equity

Section 1 - Bank's shareholders' equity

A. Qualitative information

Capital management is aimed at ensuring that ratios are consistent with the risk profile assumed and comply with regulatory requirements.

Capital adequacy control is ensured by capital management activities in which the size and optimal combination of the various capitalisation instruments are defined, in compliance with regulatory constraints and in line with the risk profile assumed by the Bank.

The Bank assigns a priority role to the activities aimed at the management and allocation of capital according to the risks assumed, for the purpose of developing its operations with a view to creating value. The activities are articulated in the different phases of the planning and control process and, in particular, in the plan and budget processes and in the monitoring processes. In the dynamic management of capital, therefore, the Bank draws up the capital plan and monitors the regulatory capital requirements, anticipating the necessary actions to achieve the objectives.

Capital and its allocation are therefore extremely important in defining long-term strategies, since, on the one hand, it represents the shareholders' investment in the Bank, which must be adequately remunerated, and, on the other hand, it is a resource subject to exogenous limits, defined by supervisory regulations. In this regard, it should be noted that at an individual level, the Bank is subject to the following capital requirements under Regulation (EU) 575/2013:

- 4.50% in terms of Common Equity Tier 1 ratio;
- 6% in terms of Tier 1 Ratio;
- 8% in terms of Total Capital Ratio.

It should also be noted that the Bank is required to hold, in addition to the primary tier 1 capital necessary to meet the own funds requirements of Article 92 CRR, a capital conservation buffer equal to 2.5% of the Bank's total risk exposure and an institution-specific countercyclical capital buffer that amounted to 0.10%, with regard to outstanding exposures as at December 31st, 2023.

With regard to the leverage ratio the minimum requirement is 3%.

The shareholders' equity include the following financial instrument:

- Additional Tier 1 issued on January 31st, 2018. The financial instrument is a perpetual private placement[35], issued for a total of € 200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%. Starting from June 3rd, 2023 and for the next five years, the coupon was set at 7.363%;
- Additional Tier 1 issued on July 11th, 2019. The financial instrument is a perpetual public placement, intended to trade on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of € 300 million. The coupon for the first 5 years has been fixed at 5.875%.

[35] Unrated and unlisted

Parte F - Informazioni sul patrimonio

B. Quantitative information

B.1 Bank's shareholders' equity: breakdown

(Amounts in € thousand)

Items/Amounts	Amount 12/31/2023	Amount 12/31/2022
1. Share capital	201,508	201,340
2. Share premium reserve	1,934	1,934
3. Reserves	855,420	750,045
- from earnings	809,647	708,614
a) legal	40,302	40,268
c) treasury shares	1,243	1,714
d) others	768,102	666,632
- others	45,773	41,431
4. Equity instruments	500,000	500,000
5. (Treasury shares)	(1,243)	(1,714)
6. Revaluation Reserves:	(6,730)	2,121
- Financial assets (other equity securities) designated at fair value through other comprehensive income	(2,595)	(3,898)
- Actuarial gains (losses) on defined benefit plans	(4,136)	6,020
- Revaluation reserves for associates carried at equity	1	(1)
7. Net profit (loss) for the year	604,498	421,985
Total	**2,155,387**	**1,875,711**

B.2 Revaluation reserves for financial assets at fair value through comprehensive income: breakdown

(Amounts in € thousand)

Items/Amount	Total 12/31/2023		Total 12/31/2022	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	-	(2,595)	-	(3,898)
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
Total	**-**	**(2,595)**	**-**	**(3,898)**

Part F – Shareholders' equity

B.3 Revaluation reserves for financial assets at fair value through comprehensive income: annual changes

(Amounts in € thousand)

	Debt securities	Equity securities	Loans
1. Opening balance	**(3,898)**	**-**	**-**
2. Increases	**1,303**	**-**	**-**
2.1 Fair value increases	1,303	-	-
2.2 Adjustments for credit risk	-	X	-
2.3 Reclassification through profit or loss of realised negative reserves	-	X	-
2.4 Transfer from other shareholder's equity item (equity securities)	-	-	-
2.5 Other changes	-	-	-
3. Decreases	**-**	**-**	**-**
3.1 Fair value reductions	-	-	-
3.2 Recoveries for credit risk	-	-	-
3.3 Reclassification through profit or loss of realised positive reserves	-	X	-
3.4 Transfer to other shareholder's equity item (equity securities)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	**(2,595)**	**-**	**-**

B.4 Revaluation reserves on defined benefit obligations: annual changes

(Amounts in € thousand)

	Actuarial gains (losses) on defined benefits plans
1. Opening balance	**6,020**
2. Increases	**-**
2.1 Fair value increases	-
2.2 Other changes	-
3. Decreases	**(10,156)**
3.1 Fair value reductions	-
3.2 Other changes	(10,156)
4. Closing balance	**(4,136)**

Section 2 - Own funds and regulatory ratios

Please refer to the disclosure on own funds and capital adequacy contained in the document "FinecoBank Group Public Disclosure - Pillar III as at December 31st, 2023", published on the Company's website (https://about.finecobank.com), provided for by Regulation (EU) 575/2013 (CRR) and subsequent Regulations amending its content, including, in particular, Regulation (EU) 876/2019 (so-called CRR II) of the European Parliament and of the Council and Regulation (EU) 2020/873 of the European Parliament and of the Council (so-called CRR Quick-fix).

Part G – Business Combinations

Section 1 – Business combinations completed during the year
No information to report.

Section 2 – Business combinations completed after year-end
No information to report.

Section 3 – Retrospective adjustments
No information to report.

Part H – Related-party transactions

Information on the fees paid to key management personnel and on related-party transactions, pursuant to IAS 24 is shown below.

1. Details of compensation for key management personnel

Key management personnel are persons having authority and responsibility, within the Bank, for planning, directing, and controlling the Companies' activities, directly or indirectly. This category includes Board members and members of the Board of Statutory Auditors of FinecoBank, pursuant to requirements of the Bank of Italy Circular no. 262 of December 22nd, 2005 as amended and updated, as well as the Chief Executive Officer and General Manager, the Deputy General Manager/GBS Manager, the Chief Financial Officer, the Deputy General Manager/PFA Network Commercial and Private Banking Manager, the Deputy General Manager/Global Business Manager. In addition, this category includes key management personnel (by which is meant, members of the management and control bodies, the latter where present) of Fineco AM, the only company in the Group besides the parent company FinecoBank.

(Amounts in € thousand)

Items/sectors	Total 2023	Total 2022
Remuneration paid to "Key Management Personnel", Directors and the Board of Statutory Auditors		
a) short-term benefits	7,665	7,178
b) post-employment benefits	257	253
of which under defined benefit plans	-	-
of which under defined contribution plans	*257*	*253*
c) other long-term employee benefits	-	-
d) termination benefits	-	-
e) share-based payments	2,848	3,074
Total	**10,770**	**10,505**

2. Related-party transactions

At its meeting of February 7th, 2023 and with the prior favourable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors, the Board of Directors, to ensure continued compliance with applicable legal and regulatory provisions on the corporate disclosure of transactions with related parties and persons in conflict of interest, approved the new version of the Global Policy "Procedure for the management of transactions with persons in potential conflict of interest of the FinecoBank Group" (the "Global Policy").

The aforementioned Global Policy includes the provisions to be complied with when managing:

- related parties transactions pursuant to the Consob Regulation adopted by resolution on March 12th, 2010, no. 17221 as amended and updated from time to time (most recently by Consob Resolution No. 21624 of December 10th, 2020) ;
- transactions with associated persons pursuant to the regulations on "*Risk activities and conflicts of interest with Associated Persons*", laid down by Chapter 11 of Bank of Italy Circular No. 285 of December 17th, 2013 (setting out the "Supervisory Provisions for Banks"), as supplemented following Update No. 33 of June 23rd, 2020;
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 on September 1st, 1993, showing the "*Consolidated Law on Banking*";
- transactions with other relevant persons in potential conflict of interest as defined by the Bank on a self-regulatory basis, taking into account the applicable legal and regulatory provisions:
- loans granted to Directors (i.e. members of the administrative, management and control bodies) and their related parties, pursuant to art. 88 of the CRD.

Considering the above, during 2023, transactions with other Italian and foreign related parties, smaller transactions, were conducted within the ordinary course of the Bank's business and related financial activities, and were carried out under standard conditions or conditions similar to those applied to transactions with unrelated third parties; no other transactions were undertaken with related parties that could significantly affect the Bank's asset situation and results, or atypical and/or unusual transactions, including intercompany and related party transactions.

Part H – Related-party transactions

The following statement shows the outstanding assets, liabilities, guarantees and commitments as at December 31st, 2023, for each group of related parties pursuant to IAS 24:

(Amounts in € thousand)

	Amounts as at 12/31/2023							
	Non consolidated subsidiaries	Associates	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Financial assets at amortised cost b) loans and receivable to customers	-	-	1,074	466	1,540	0.01%	4,272	0.02%
Total assets	**-**	**-**	**1,074**	**466**	**1,540**	**0.01%**	**4,272**	**0.01%**
Financial liabilities at amortised cost b) deposits from customers	-	-	1,805	4,328	6,133	0.02%	-	0.00%
Financial liabilities held for trading	-	-	-	-	-	0.00%	51	0.73%
Other liabilities	-	157	236	-	393	0.10%	-	0.00%
Total liabilities	**-**	**157**	**2,041**	**4,328**	**6,526**	**0.02%**	**51**	**0.00%**
Commitments and financial guarantees given	**-**	**-**	**726**	**56**	**782**	**0.25%**	**-**	**0.00%**

It should be noted that the table above does not include the balance sheet value of the equity investments held in associated companies recognised in the balance sheet item 70 Equity investments.

With regard to the above transactions, broken down by type of related party, we also propose details of the impact on the main items of the income statement:

(Amounts in € thousand)

	Income Statement year 2023							
	Non consolidated subsidiaries	Associates	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Interest income and similar revenues	-	-	11	17	28	0.00%	-	0.00%
Interest expenses and similar charges	-	-	(5)	(2)	(7)	0.01%	-	0.00%
Fee and commission income	-	-	4	9	13	0.00%	17,750	2.35%
Fee and commission expenses	-	(623)	-	-	(623)	0.15%	-	0.00%
Gains (losses) on financial assets and liabilities held for trading	-	-	-	2	2	0.00%	-	0.00%
Impairment losses/writebacks	-	-	1	-	1	-0.03%	3	-0.10%
Other net operating income	-	-	76	12	88	0.05%	-	0.00%
Total income statement	-	**(623)**	**87**	**38**	**(498)**		**17,753**	

It should be noted that two legal subjects, which are included in the "Shareholders" category as at December 31st, 2023, appear to have been among the first borrowers of a portion of the senior preferred bond issued by FinecoBank during 2021 (the Shareholders were not such at the placement date) and the senior preferred bond instrument issued by FinecoBank in 2023, but nothing has been reported in the tables above as the instrument is a listed public placement and no information is available on the holders of the security at the balance sheet date.

The "Associated companies" category includes transactions with Vorvel SIM S.p.A., a company subject to significant influence, in which FinecoBank holds a 20% stake for a balance sheet amount of € 1,652 thousand. The income statement and balance sheet transactions presented above mainly originate from the agreement entered into by the Bank with Vorvel SIM S.p.A. for the trading, on Vorvel segment, of certificates issued by Fineco. With reference to the transactions with Vorvel SIM S.p.A., it should be noted that the above table does not include the valuation at equity of the Company, which led to the recognition in the 2023 income statement of a write-down of € 68 thousand.

With reference to the "Directors, Board of Statutory Auditors and Strategic Managers" category, it should be noted that, in application of the special rules set forth in Article 136 of Legislative Decree No. 385/93 (Consolidated Banking Act), the obligations entered into with respect to persons

Part H – Related-party transactions

performing administrative, management and control functions pursuant to the aforementioned provision were the subject of a unanimous resolution of the Board of Directors passed with the favourable vote of all the members of the Board of Statutory Auditors, in accordance with the procedures and criteria set forth in the aforementioned Article 136 of the Consolidated Banking Act.

The category "Directors, Board of Statutory Auditors and Executives with Strategic Responsibilities" includes the relationships with the Bank's Directors, Board of Statutory Auditors and Executives with Strategic Responsibilities (excluding the related remuneration disclosed in point 1. *Information on the remuneration of executives with strategic responsibilities*), the Executives with strategic responsibilities of the subsidiary Fineco AM (meaning the members of the administration and control bodies, the latter where present, with the exclusion of the related remuneration disclosed in point 1 above) and with the Head of Internal Audit, represented mainly by assets against credits for the use of credit cards, mortgages and liabilities against the liquidity deposited by them with the Bank. The income statement for the year 2023 refers to the costs and revenues generated by the aforementioned assets and liabilities.

With regard to the category “Other related parties”, it should be noted that it groups together, where present, data relating to

- the close relatives of executives with strategic responsibilities (i.e., those family members who are expected to influence, or be influenced by, the person concerned);
- the subsidiaries (including jointly) of “executives with strategic responsibilities” or their close family members.

Transactions with “Other related parties” consist mainly of assets arising from the granting of mortgages, credit facilities, credit cards use and liabilities for funds deposited with the Bank. The income statement for the year 2023 refers to the costs and revenues generated by the aforementioned assets and liabilities.

The "Shareholders" category includes the shareholders and their subsidiaries holding which at December 31st, 2023 held an investment in FinecoBank higher than 3% of the share capital represented by shares with voting rights. The balance sheet amounts include for current receivables and debts associated with the provision of financial services referring to the commissions to be cashed for the placement and management of asset management products. The income statement includes the same fees and commissions accrued for 2023.

Outstanding amounts as at December 31st, 2023 and the economic components accrued during the year 2023 with Fineco Asset Management DAC are excluded, as shown in the table below.

Transactions with the FinecoBank Group’s companies

(Amounts in € thousand)

Fineco Asset Management DAC	Total 12/31/2023
Assets	**15,592**
Financial assets at amortised cost b) loans and receivables with customers	15,226
Other assets	366
Liabilities	**30**
Other liabilities	30
Income statement	**280,728**
Fee and commission income	166,828
Dividend income and similar revenue	113,694
Other administrative expenses	(30)
Other net operating income	236

It should be noted that the table above does not include the balance sheet value of the equity investments held in Subsidiaries recognised under balance sheet item 70 Equity Investments.

Financial assets measured at amortised cost refer to operating receivables related to the distribution of financial products.

The economic components recognised in the balance sheet refer, primarily, to commission income retroceded to the Bank in connection with the placement of financial products and the dividend received.

Part I – Share-based payments

Qualitative information

1. Description of share-based payments

For the description share-based payments, see paragraph A. Qualitative information - 1. Description of the share-based payments - Part I of the Notes to the consolidated accounts.

Quantitative information

1. Annual changes

(Amounts in € thousand)

Items / Number of options and exercise price	Total 12/31/2023			Total 12/31/2022		
	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity
A. Opening balance	**2,013,326**	**-**	**Oct-24**	**2,037,312**	**-**	**Jun-24**
B. Increases	**171,119**	**-**	**X**	**244,406**	**-**	**X**
B.1 New issues	171,119	-	Jul-25	244,406	-	May-24
B.2 Other increases	-	-	X	-	-	X
C. Decreases	**(593,081)**	**-**	**X**	**(268,392)**	**-**	**X**
C.1 Cancelled	(5,286)	-	X	(2,115)	-	X
C.2 Exercised	(587,795)	-	X	(266,277)	-	X
C.3 Expired	-	-	X	-	-	X
C.4 Other changes	-	-	X	-	-	X
D. Closing balances	**1,591,364**	**-**	**Jul-25**	**2,013,326**	**-**	**Oct-24**
E. Vesting options at the end of the year	**422,251**	**-**	**X**	**587,795**	**-**	**X**

The number of shares specified in the above table only refers to plans for which the number of shares allotted to individual beneficiaries has already been defined. The average prices for the year have not been stated because only freely allocated shares were involved.

Part I – Share-based payments

Other information

Effects on Profit and Loss

The income statement and balance-sheet effects of the incentive systems based on FinecoBank shares are shown below, except for the balance of the reserve related to equity-settled plans. The income statement impact is determined each year based on the vesting period of the instruments.

Financial statement presentation related to payments based on shares

(Amounts in € thousand)

	Total 12/31/2023		Total 12/31/2022	
	Total	Vested plans	Total	Vested plans
Costs	5,269		5,543	
Costs connected to Equity Settled Plans	*5,269*		*5,543*	
Sums paid to UniCredit S.p.A. for vested plans				35
Sums collected by UniCredit S.p.A. for vested plans		46		
Credit accrued towards Unicredit S.p.A.	23		69	
Credit accrued towards Fineco AM	241		268	

Please note that the charges relating to Equity Settled Plans were recognised as Administrative expenses – Staff expenses with respect to the plans granted to employees and as Administrative expenses or Fee and commission expenses with regard to plans granted to personal financial advisors.

Part L – Segment reporting

Segment reporting information, as required by IFRS 8 is presented exclusively in consolidated form. Therefore, reference should be made to the segment reporting disclosure provided in Part L of the notes to the consolidated accounts.

Part M – Leasing

Section 1 - Lessee

Qualitative information

The leasing contracts that fall within the scope of application of the standard IFRS16 are represented by the lease contracts of the properties used by the Bank and by the financial shops used by financial advisors and managed directly by the Bank, in addition to lease contracts for machinery and cars.

The Bank is potentially exposed to outgoing financial flows, for variable payments due for leasing (in particular referring to the ISTAT revaluation), not included in the initial valuation of the lease liability.

The Bank has determined the duration of the lease, for each individual contract, considering the "non-cancellable" period during which it has the right to use the underlying asset and taking into account all the contractual aspects that can change this duration, including, in particular, the possible presence of:

- periods covered by a right of resolution (with related penalties) or an option to extend the lease to the lessee, the lessor alone, or to both, even at different periods over the duration of the contract;
- periods covered by an option to purchase the underlying asset.

In general, with regard to contracts that provide the option right for the Bank to automatically renew the lease at the end of an initial contractual period, the duration of lease has determined based on historical experience and the information available at the date, considering in addition to the non-cancellable period also the period subject to the extension option (first contract renewal period), except for the existence of business plans to dispose of the leased asset as well as clear and documented assessments by the competent Bank structures that lead to consider reasonable the failure to exercise the option to renew or exercise the termination option, also taking into account, with particular regard to the financial shops in use by the financial advisors of the Bank, the commercial strategies of recruitment and territorial organization of the network.

The Bank has not provided guarantees on the residual value of the leased asset and has no commitments for the stipulation of lease contracts not included in the value of the lease liability recognized in the financial statements.

In accordance with the rules set by the standard, which grants exemptions in this regard, contracts underlying the so-called "Low-value assets" (for which the threshold was set at € 5 thousand) consisting, for example, by mobile phone rental contracts, all leasing contracts with a contractual duration of 12 months or less (so-called "short term lease") it was decided not to apply the principle to the leasing of intangible assets (mainly represented by software leasing). For these contracts, the related fees are recognised in the income statement on accrual basis for the corresponding duration.

Quantitative information

With regard to the information on the rights of use acquired with the lease, please refer to Part B - Assets - Section 8 - Tangible assets - Item 80 of these notes to the accounts.

With regard to the information on the lease liabilities, please refer to Part B - Liabilities - Section 1 - Financial liabilities at amortized cost - Item 10 of these notes to the accounts.

Furthermore, with regard to the information on:

- interest expenses on leasing liabilities, please refer to Part C - Section 1 - Item 20;
- the other charges connected with the rights of use acquired with the lease, please refer to Part C - Section 14 - Net impairments / write-backs on property, plant and equipment - Item 190.

It should be noted that no gains and losses deriving from sale and leaseback transactions have been recorded, as well as income deriving from sub-lease transactions.

Part M – Leasing

The depreciation recognized for the year for right-of-use assets by class of underlying asset is shown below:

(Amounts in € thousand)

Assets	Depreciation 2023	Depreciation 2022
Right of use		
1. Property, plant and equipment	**(11,087)**	**(10,972)**
1.1 land	(85)	
1.2 buildings	(10,757)	(10,759)
1.3 office furniture and fittings		
1.4 electronic systems	(7)	
1.5 other	(238)	(213)

At December 31st, 2023 there are no short-term leasing commitments for which the cost has not already been recognized in the 2023 income statement.

Section 2 - Lessor

Qualitative information

The Bank has leasing operations, in its capacity as lessor, represented exclusively by lease contracts for a part of the surface of the property owned, located in Milan Piazza Durante, 11, classified as operating leases in the financial statements.

With reference to the ways in which the lessor manages the risk associated with the rights it maintain on the underlying assets, it should be noted that the contracts include clauses that prohibit the tenant from transferring the contract to third parties without the written consent of the lessor, periodic updates of the rent according to the ascertained variation of the ISTAT index for consumer prices for the families of workers and employees and a contractual expiry at the end of which, in the event of non-renewal where required, the lease contract ceases and the premises fall within the availability of the lessor.

Quantitative information

Payments due for operating leases have been recognised, on an accrual basis, in the income statement as income. For more details, please refer to Part C - Section 14 - Other operating income and charges - Item 200 of these notes to the accounts.

1. Balance sheet and income statement information

The Bank has not recognized leasing loans. As regards the activities granted under operating leasing, as previously described, the Bank has leasing transactions in place as lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11.

The payments due for the operating lease have been recognised, on an accrual basis, in the income statement as income. For more details, please refer to that illustrated in Part C - Section 14 - Other operating expenses and income - Item 200 of these notes to the accounts.

2. Financial lease

2.1 Classification by time bands of the payments to be received and reconciliation with the loans for leasing entered in the assets

No information to report.

Part M – Leasing

2.2 Other information

No information to report.

3. Operating lease

3.1 Classification by time bands of the payments to be received

A maturity analysis of the undiscounted lease payments to be received is shown below. It should be noted that the payments refer to the contractual rents provided for in the lease contracts of part of the property owned by FinecoBank, which allow tenants to withdraw early in compliance with the notice provided in the contract.

(Amounts in € thousand)

Maturity ranges	Total 12/31/2023 Lease payments receivables	Total 12/31/2022 Lease payments receivables
Up to one year	815	753
Over one year up to 2 years	179	753
Over 2 years up to 3 years	45	167
Over 3 years up to 4 years	-	42
Over 4 years up to 5 years	-	-
For over 5 years	-	-
Total	**1,039**	**1,715**

3.2 Other information

As indicated above, the Bank has leasing transactions in place as a lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11. For information on the methods with the which the Bank manages the risk associated with the rights it retains on the underlying assets, please refer to the paragraph "Qualitative information" included in this section.

Attachment 1 - Reconciliation of condensed accounts to mandatory reporting schedule

(Amounts in € thousand)

ASSETS	Amounts as at	
	12/31/2023	12/31/2022
Cash and cash balances = item 10	2,249,361	1,438,427
Financial assets held for trading	14,109	16,926
20. Financial assets at fair value through profit or loss a) financial assets held for trading	*14,109*	*16,926*
Loans and receivables to banks	351,272	416,733
40. Financial assets at amortised cost a) loans and receivables to banks	*2,968,494*	*4,019,231*
less: Financial assets at amortised cost a) loans and receivables to banks - Debt securities	*(2,617,222)*	*(3,602,498)*
Loans and receivables to customers	6,175,952	6,426,087
40. Financial assets at amortised cost b) loans and receivables to customers	*24,924,025*	*27,423,481*
less: Financial assets at amortised cost b) loans and receivables to customers - Debt securities	*(18,748,073)*	*(20,997,394)*
Financial investments	21,405,097	24,636,590
20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	*6,081*	*5,108*
30. Financial asset at fair value through other comprehensive income	*29,069*	*26,872*
70. Equity investments	*4,652*	*4,718*
Financial assets at amortised cost a) loans and receivables to banks - Debt securities	*2,617,222*	*3,602,498*
Financial assets at amortised cost b) loans and receivables to customers - Debt securities	*18,748,073*	*20,997,394*
Hedging instruments	707,274	1,424,705
50. Hedging derivatives	*896,577*	*1,691,642*
60. Changes in fair value of portfolio hedged financial assets (+/-)	*(189,303)*	*(266,937)*
Property, plant and equipment = item 80	144,768	144,102
Goodwill = item 90. Intangible assets of which: goodwill	89,602	89,602
Other intangible assets = item 90 net of goodwill	34,465	36,734
Tax assets = item 100	49,749	46,467
Tax credits acquired	1,618,030	1,093,255
Other assets	411,437	438,661
120. Other assets	*2,029,467*	*1,531,916*
less: Tax credit acquired	*(1,618,030)*	*(1,093,255)*
Total assets	**33,251,116**	**36,208,289**

Attachment 1 - Reconciliation of condensed accounts to mandatory reporting schedule

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at	
	12/31/2023	12/31/2022
Deposits from banks	866,978	1,677,235
10. Financial liabilities at amortised cost a) deposits from banks	*866,978*	*1,677,235*
Deposits from customers	28,744,000	31,679,857
10. Passività finanziarie valutate al costo ammortizzato c) titoli in circolazione	*28,744,000*	*31,679,857*
Debt securities in issue	809,264	497,926
10. Financial liabilities at amortised cost c) debt securities in issue	*809,264*	*497,926*
Financial liabilities held for trading = item 20	6,997	4,575
Hedging instruments	28,712	(3,180)
40. Hedging derivatives	*59,988*	*63,752*
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	*(31,276)*	*(66,932)*
Tax liabilities = item 60	85,560	41,865
Other liabilities	554,218	434,300
80. Other liabilities	*410,674*	*324,993*
90. Provisions for employee severance pay	*4,378*	*3,942*
100. Provisions for risks and charges	*139,166*	*105,365*
Shareholders' equity	2,155,387	1,875,711
- capital and reserves	1,557,619	1,451,605
130. Equity instruments	*500,000*	*500,000*
140. Reserves	*855,420*	*750,045*
150. Share premium reserve	*1,934*	*1,934*
160. Share capital	*201,508*	*201,340*
170. Treasury shares (-)	*(1,243)*	*(1,714)*
- revaluation reserves	(6,730)	2,121
110. Revaluation reserves of which: financial assets at fair value through other comprehensive income	*(2,595)*	*(3,898)*
110. Revaluation reserves for actuarial net gains (losses) for defined benefit plans	*(4,136)*	*6,020*
110. Revaluation reserve of which: changes in valuation reserve pertaining to equity method investments	*1*	*(1)*
- net profit = item 180	604,498	421,985
Total liabilities and Shareholders' equity	**33,251,116**	**36,208,289**

Attachment 1 - Reconciliation of condensed accounts to mandatory reporting schedule

(Amounts in € thousand)

INCOME STATEMENT	Year 2023	Year 2022
Financial margin	686,697	392,415
of which Net interest	686,489	343,011
30. Net interest margin	*682,529*	*337,764*
+ net commissions on Treasury securities lending	*3,960*	*5,247*
of which Profits from Treasury	208	49,404
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*208*	*49,095*
+ gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income (unimpaired)	*-*	*309*
Dividends and other income from equity investments	113,625	96,926
70. Dividend income and similar revenue	*113,919*	*97,408*
less: dividends from held-for-trading equity instruments included in item 70	*(178)*	*(165)*
less: dividends from from equity investments and equities mandatorily at fair value equity instruments included in item 70	*(48)*	*(41)*
less: dividends from from equity investments and equities mandatorily at fair value equity instruments included in item 70	*(68)*	*(276)*
Net fee and commission income	334,236	326,611
60. Net fee and commission income	*338,196*	*331,858*
less: net commissions on Treasury securities lending	*(3,960)*	*(5,247)*
Net trading, hedging and fair value income	60,350	90,053
80. Gains (losses) on financial assets and liabilities held for trading	*66,272*	*77,968*
90. Fair value adjustments in hedge accounting	*(7,151)*	*12,207*
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	*1,003*	*(328)*
100. Gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income	*-*	*309*
less: gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income (unimpaired)	*-*	*(309)*
100. Gains (losses) on disposal or repurchase of: c) financial liabilites	*-*	*-*
+ dividends from held-for-trading equity instruments included in item 70	178	165
+ dividends from mandatorily at fair value equity instruments included in item 70	*48*	*41*
Net other expenses/income	504	1,223
200. Other net operating income	*162,513*	*136,218*
less: other net operating income - of which: recovery of expenses	*(163,603)*	*(136,830)*
less: adjustments of leasehold improvements	*1,594*	*1,835*
100. Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost (unimpaired)	*208*	*49,095*
less: gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*(208)*	*(49,095)*
REVENUES	**1,195,412**	**907,228**
Staff expenses	(115,310)	(107,056)
160. Administrative expenses - a) staff expenses	*(115,310)*	*(107,056)*
Other administrative expenses	(299,516)	(265,403)
160. Administrative expenses - b) other administrative expenses	*(339,532)*	*(311,302)*
less: contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*41,610*	*47,734*
+ adjustments of leasehold improvements	*(1,594)*	*(1,835)*
Recovery of expenses	163,603	136,830
200. Other net operating income- of which: recovery of expenses	*163,603*	*136,830*
Impairment/write-backs on intangible and tangible assets	(26,501)	(26,296)
180. Impairment/write-backs on property. plant and equipment	*(20,559)*	*(19,742)*
190. Impairment/write-backs on intangible assets	*(5,942)*	*(6,554)*
Operating costs	**(277,724)**	**(261,925)**
OPERATING PROFIT (LOSS)	**917,688**	**645,303**
Net impairment losses on loans and provisions for guarantees and commitments	(3,594)	(3,096)
130. Impairment losses/writebacks on: a) financial assets at amortised cost	*(3,096)*	*(5,165)*
less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*(271)*	*2,093*
130. Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income	*-*	*(2)*
less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*-*	*2*
140. Profit / loss from contract changes without cancellation	*2*	*(1)*
170. Net provisions for risks and charges:a)provision for credit risk of commitments and financial guarantees given	*(229)*	*(23)*
NET OPERATING PROFIT (LOSS)	**914,094**	**642,207**
Other charges and provisions	(63,587)	(57,762)
170. Net provisions for risks and charges b) other net provision	*(21,977)*	*(10,028)*
+ contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*(41,610)*	*(47,734)*
Net income from investments	111	(1,552)
+ Impairment losses/writebacks on: afinancial assets at amortised cost - debt securities	*271*	*(2,093)*
+ Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*-*	*(2)*
220. Profit (loss) on equity investments	*(263)*	*(276)*
less: writebacks (write-downs) of investments accounted for using the equity method	*68*	*276*
20. Gains (losses) on disposal of investments	*35*	*543*
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**850,618**	**582,893**
Income tax for the year = item 270	(246,120)	(160,908)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**604,498**	**421,985**
PROFIT (LOSS) FOR THE YEAR	**604,498**	**421,985**

Attachment 2 - Reference of qualitative information to the consolidated financial statement

Below is a list of qualitative disclosure references from the FinecoBank financial statements to the Consolidated Financial Statements:

SECTION OF THE FINANCIAL STATEMENTS OF THE ENTERPRISE WHERE THERE IS A REFERENCE TO THE CONSOLIDATED FINANCIAL STATEMENTS	SECTION OF THE CONSOLIDATED FINANCIAL STATEMENTS WHERE DISCLOSURE CAN BE FOUND
Report on operations – FinecoBank's results	Please refer to the section "Results of the parent and the subsidiary" of the Consolidated Report on operations.
Part A – Accounting policies, A.1 – General matters, Section 4 – Other aspect	For the paragraphs on other aspects of accounting policies please refer to the corresponding paragraphs in Part A – Accounting policies, A.1 General matters, Section 5 – Other aspects of Notes to the consolidated accounts, where referenced.
Part A – Accounting policies, A.2 - The main items of the accounts	For the paragraphs on the main items of the accounts please refer to the corresponding paragraphs in Part A – Accounting policies, A.2 The main items of the accounts of Notes to the consolidated accounts, where referenced.
Part A – Accounting policies, A.3 Disclosure on transfers between portfolios of financial assets	For the paragraphs on dislosure on transfers between portfolios of financial assets please refer to the corresponding paragraphs in Part A – Accounting policies, A.3 Disclosure on transfers between portfolios of financial assets of Notes to the consolidated accounts.
Part E - Information on Risks and relating hedging policies, Section 1 – Credit Risk	For the paragraphs on "1. General matters", "2. Credit Risk Management Policy", "3. Impaired credit Exposures", "4. Commercial renegotiations and forbearance measures" please refer to the corresponding paragraphs in Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.1 Credit risk of Notes to the consolidated accounts, where referenced.
Part E - Information on Risks and relating hedging policies, Section 2 – Market Risk	For the paragraphs on “Risk Management Strategies and Processes”, “Structure and Organisation”, “Impacts of the crisis unfolded by Russia-Ukraine military conflict”, “Risk measurement and reporting framework”, “Procedures and methodologies for valuation of Trading Book positions”, “Risk measures” please refer to the corresponding paragraphs in Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.2 Market risk of Notes to the consolidated accounts, where referenced.
Part E - Information on Risks and relating hedging policies, Section 4 - Liquidity Risk	For the paragraphs on “A. General aspects, management processes and measurement methods for liquidity risk” please refer to the corresponding paragraphs in Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.4 - Liquidity risk, where referenced.
Part E - Information on Risks and relating hedging policies, Section 5 - Operational risk	For the paragraphs on operational risk please refer to the corresponding paragraphs in Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.5 - Operational risk, where referenced.
Part E - Information on Risks and relating hedging policies, Section 6 – Other risks	For the paragraphs on other risk please refer to the corresponding paragraphs in Part E - Information on Risks and relating hedging policies, Section 2 – Risk of the prudential consolidated perimeter, 1.6 - Other risks, where referenced.
Part I - Share-based payments, Section 1 - Description of share-based payments	For the paragraphs on other risk please refer to the corresponding paragraphs in Part I - Share-based payments, where referenced.

Certification of annual financial statements pursuant to article 81-ter of Consob regulation no. 11971 of May 14, 1999 and subsequent amendements

1. The undersigned, Alessandro Foti, as Managing Director and General Manager of FinecoBank S.p.A., and Lorena Pelliciari, as Nominated Official in charge of drawing up company accounts of FinecoBank S.p.A, taking into account the provisions of Article 154-bis, par. 3 and 4 of Legislative Decree 58 of February 24th, 1998, do hereby certify:

- the adequacy in relation to the Company's features and
- the actual application

of the administrative and accounting procedures used in the preparation of the financial statements for the year ended December 31st, 2023.

2. The adequacy of the administrative and accounting procedures employed to draw up the financial statements for the year has been evaluated by applying a model defined in accordance with the "Internal Control - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which are international commonly accepted standards for the internal control system and for financial reporting.

3. The undersigned also certify that:

3.1 the Annual Report and Accounts:

d) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of July 19th, 2002;
e) correspond to the results of the books and accounting records;
f) are suitable to provide an accurate representation of the financial position and performance of the issuer;

3.2 the Report on operations contains a reliable operating and financial review of the issuer, as well as the description of its exposure to the main risks and uncertainties.

Milan, March 12th, 2024

FinecoBank S.p.A.
The Chief Executive Officer and
General Manager
Alessandro Foti

FinecoBank S.p.A.
The Manager Responsible for Preparing
the Company's Financial Reports
Lorena Pelliciari

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(The accompanying translated separate financial statements of FinecoBank S.p.A. constitute a non-official version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of FinecoBank S.p.A.

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of FinecoBank S.p.A. (the "bank"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information the accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of FinecoBank S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of the bank in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

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

Measurement of provisions for risks and charges

Notes to the separate financial statements "Part A - Accounting policies": section A.2.10 "Provisions for risks and charges"

Notes to the separate financial statements "Part B - Balance Sheet – Liabilities": section 10 "Provisions for risks and charges"

Notes to the separate financial statements "Part C - Income Statement": section 13.3 "Net provisions to other provisions for risks and charges: breakdown"

Notes to the separate statements "Part E - Information on Risks and relating hedging policies": section 1.5 "Operational risks", paragraph B. "Risks arising from significant legal disputes"

Key audit matter	**Audit procedures addressing the key audit matter**
The bank's separate financial statements at 31 December 2023 include provisions for risks and charges of €139.2 million. These include €27.3 million relating to pending legal and tax disputes, specifically €3.5 million relating to tax disputes (fines and interest) and €23.8 million relating to legal disputes. The latter are customers' complaints and claims for damages due to unlawful conduct by the bank's financial advisors, pending disputes with former financial advisors and other ongoing in-court and out-of-court disputes with customers relating to the bank's ordinary banking activities. Measuring provisions for risks and charges for pending disputes is a complex activity, with a high degree of uncertainty, and entails directors' estimates about the outcome of the dispute, the risk of losing and the timing for its settlement. For the above reasons, we believe that measuring provisions for risks and charges is a key audit matter.	Our audit procedures included: • understanding the process for the measurement of provisions for risks and charges, assessing the design and implementation of controls and performing procedures to and implementation of effectiveness of material controls; • analysing the discrepancies between past years' estimates of the provisions for risks and charges and actual figures resulting from the subsequent settlement of disputes, in order to check the accuracy of the estimation process; • analysing relevant documentation, including the complaints book and the internal control departments' reports; • sending written requests for information to the legal advisors assisting the bank about the assessment of the risk of losing pending disputes and the quantification of the related liability and checking the consistency of the information obtained with the elements considered by the directors to measure the other provisions for risks and charges; • analysing the reasonableness of the assumptions used to measure the provisions for risks and charges relating to the main disputes through discussions with the relevant internal departments and analysis of the supporting documentation; • assessing the appropriateness of the disclosures about the other provisions for risks and charges.

Classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost

Notes to the separate financial statements "Part A - Accounting policies": paragraph A.2.3 "Financial assets at amortised cost"

Notes to the separate financial statements "Part B - Balance Sheet - Assets": section 4 "Financial assets at amortised cost"

Notes to the separate financial statements "Part C - Income statement": section 8 "Impairment losses/writebacks"

Key audit matter	Audit procedures addressing the key audit matter
Lending to customers is one of the bank's core activities. Loans and receivables with customers recognised under financial assets at amortised cost totalled €24,924 million at 31 December 2023 (including loans of €6,175.9 million and debt instruments of €18,748 million), accounting for 75% of total assets. Net impairment losses on loans and receivables with customers recognised in profit or loss during the year totalled €3.1 million. For classification purposes, the directors make analyses that are sometimes complex in order to identify those positions that show evidence of impairment after disbursement. To this end, they consider both internal information about the performance of exposures and external information about the reference sector or the borrowers' overall exposure to banks. Measuring loans and receivables with customers is a complex activity, with a high degree of uncertainty and subjectivity, with respect to which the directors apply internal valuation models that consider many quantitative and qualitative factors, including historical collection flows, expected cash flows and related estimated collection dates, the existence of any indicators of impairment, an assessment of any guarantees, the impact of macroeconomic variables, future scenarios and risks of the sectors in which the bank's customers operate. The complexity of the directors' estimation process has increased as a result of the geopolitical uncertainties caused by the conflict in Ukraine and the persisting Covid-19 emergency in 2023. These uncertainties have severely worsened current economic conditions and the outlook for future macroeconomic scenarios and have had a strong impact on the energy market, supply chains, inflationary pressure and its effect on monetary policies, leading central banks to raise interest rates in the main economies. This required the directors to revisit the valuation processes and methods. For the above reasons, we believe that the classification and measurement of loans and receivables with customers recognised under financial assets at amortised cost are a key audit matter.	Our audit procedures included: • gaining an understanding of the bank's processes and IT environment in relation to the disbursement, monitoring, classification and measurement of loans and receivables with customers; • assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls, especially in relation to the identification of exposures with indicators of impairment and the calculation of impairment losses; • analysing the classification criteria used for allocating loans and receivables with customers to the IFRS 9 categories (staging); • analysing the individual and collective impairment assessment policies and models used and checking the reasonableness of the main assumptions and variables included therein, as well as the adjustments made as a result of the financial effects of the geopolitical situation caused by the conflict in Ukraine and the persisting Covid-19 pandemic. We carried out these procedures with the assistance of experts of the KPMG network; • selecting a sample of exposures tested collectively, checking the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models; • selecting a sample of exposures tested individually and checking the reasonableness of the indicators of impairment identified and of the assumptions about their recoverability, including considering the guarantees received; • analysing the significant changes in the loan and receivable categories and in the related impairment rates compared to the previous years' figures and discussing the results with the relevant internal departments;

	• assessing the appropriateness of the disclosures about loans and receivables with customers recognised under financial assets at amortised cost.

Revenue recognition – recognition of fee and commission income (IFRS 15)

Notes to the separate financial statements "Part C - Income statement": section 2.1 "Fee and commission income: breakdown"

Key audit matter	Audit procedures addressing the key audit matter
In accordance with IFRS 15: Revenue from contracts with customers, fee and commission income is recognised in profit or loss based on when or as the performance obligation identified in a contract is satisfied. Specifically, fees and commissions for services and other income are recognised in profit or loss: • at a point in time, when an entity satisfies the performance obligation by transferring a promised good or service to a customer; • over time, as an entity satisfies the performance obligation by transferring a promised good or service to a customer. If the consideration promised in a contract includes a variable amount, the bank estimates the amount of consideration to which it will most likely be entitled. It estimates the variable amount by assessing all relevant facts and circumstances, based on the type of service provided and, especially, on whether it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. We have identified the risk of recognising revenue (fee and commission income) not pertaining to the year or not actually realised. For the above reasons, we believe that the recognition of fee and commission income is a key audit matter.	Our audit procedures included: • gaining an understanding of the bank's processes and IT environment in relation to the estimation of fee and commission income; • analysing the processes and controls implemented by the bank, including by involving our IT specialists; • assessing the appropriateness of the disclosures about fee and commission income.

Responsibilities of the bank's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the bank's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the bank or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the bank's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

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

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 28 April 2021, the bank's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2022 to 31 December 2030.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the bank in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the separate financial statements to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the separate financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the separate financial statements at 31 December 2023 have been prepared in XHTML format in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The bank's directors are responsible for the preparation of the reports on operations and on corporate governance and ownership structure at 31 December 2023 and for the consistency of such reports with the related financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the report on operations and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the bank's separate financial statements at 31 December 2023 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the report on operations and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the bank's separate financial statements at 31 December 2023 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 15 March 2024

KPMG S.p.A.

(signed on the original)

Roberto Spiller
Director of Audit

Report of the Board of Statutory Auditors of FinecoBank S.p.A.

to the Shareholders' Meeting called for 24 April 2024
for the approval of the Financial Statements as at 31/12/2023

pursuant to article 153 of Legislative Decree no. 58/1998 and art. 2429, paragraph 2 of the Italian Civil Code

* * * *

Dear Shareholders,

The Board of Statutory Auditors (hereinafter also the "Board") is required to report to the Shareholders' Meeting of FinecoBank S.p.A. (hereinafter also referred to as "FinecoBank" or "Fineco" or the "Bank" or the "Company" or the "Parent Company") on the supervisory activities carried out during the reporting period 2023 and on the omissions and reprehensible facts detected, pursuant to Article 153 of Legislative Decree 58 of 24 February 1998 ("TUF") and Article 2429, paragraph 2, of the Italian Civil Code.

The information provided below also takes into account the indications contained in CONSOB Communication No. DEM/1025564 of 6 April 2001, as amended.

1. Appointment and activities of the Board of Statutory Auditors

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 27 April 2023 and will remain in office until the approval of the Company's Financial Statements for the reporting period ending 31 December 2025 (hereinafter also the 'Period').

The appointment concerned the renewal of the entire Board of Statutory Auditors (consisting of three Standing Auditors and two Alternate Auditors), for the reporting periods 2023-2025, in the persons of Luisa Marina Pasotti as Chairperson, Giacomo Ramenghi and Massimo Gatto as Standing Auditors and Lucia Montecamozzo and Alessandro Gaetano as Alternate Auditors.

In accordance with the provisions of the Regulation of Corporate Bodies and in line with the recommendations of the Corporate Governance Code, the Board of Statutory Auditors conducted its annual self-assessment process for the period. The professionalism and expertise of all its members were positively confirmed, and its collective composition as well as the functioning mechanisms of the body were considered adequate. In particular, the results of the self-assessment showed a balanced distribution of competences within the Board of Statutory Auditors regarding regulation, controls and risks, including climate and environmental risks, of companies belonging to the banking and financial sector.

The Board of Statutory Auditors held a total of 41 meetings during the reporting period 2023, lasting an average of approximately three hours and thirty-four minutes each.

In 2023, Board of Statutory Auditors attended all seventeen meetings of the Board of Directors. The Shareholders' Meeting, held on 27 April 2023, was attended in presence by the Chairperson of the Board of Statutory Auditors, while the other statutory auditors participated via video conference.

In addition, the Chairperson, together with at least one of the other standing auditors, attended all 31 meetings of the Risks and Related Parties Committee. The Board of Statutory Auditors also attended all 13 meetings of the Remuneration Committee, 13 meetings of the Corporate Governance and Environmental and Social Sustainability Committee and 16 meetings of the Appointments Committee.

During the reporting period ending 31 December 2023, the Board of Statutory Auditors performed its institutional duties in compliance with the Italian Civil Code, Legislative Decrees No. 385/1993 (Consolidated Banking Act), No. 58/1998 (Consolidated Finance Act) and No. 39/2010 as amended and/or supplemented, the provisions of the Bylaws and the rules issued by the Authorities exercising supervisory and control activities, also taking into consideration the Rules of Conduct for the Board of Statutory Auditors of Listed Companies issued, also recently, by the Italian National Council of Certified Accountants and Bookkeepers (CNDCEC).

The members of the Board of Statutory Auditors also participated in the *induction programme* planned in 2023 for the members of the Board of Directors, carried out in some cases with the support of an external consultant, and in recurring refresher courses, also to preserve over time the body of technical skills necessary to carry out the role with awareness.

2. Transactions of greater economic, financial, and equity significance

On the basis of what had already been defined by the Board of Directors at the time of the approval of the preliminary results at 31 December 2023, which were disclosed to the market on 6 February 2024, on 12 March 2024 the Board of Directors of FinecoBank S.p.A. approved the draft financial statements and the consolidated financial statements at 31 December 2023.

The consolidated profit for the reporting period came to € 609.1 million, an increase of 42.1% compared to the previous year (+42.0% compared to the profit for the reporting period 2022 adjusted for non-recurring items[1]). The *cost/income ratio* stood at 24.1% (29.6% at 31 December 2022), confirming the Group's high operating leverage and widespread corporate culture of cost control.

On the basis of the main evidence acquired in the discharge of its duties, certain significant aspects that characterised the 2023 reporting period have been identified, in respect of which, although largely illustrated in the Group Directors' Report drawn (to which reference should be made), the Board of Statutory Auditors deems it appropriate to make reference to them, taking into account their relevance in the context of the assessments relating to FinecoBank's assets and liabilities, profit and loss, and financial position situation.

With regard to the most significant transactions, the Board of Statutory Auditors first of all highlights FinecoBank's participation in the bail-out of the insurance company Eurovita, an operation aimed at protecting Eurovita policyholders, urged by the Italian Ministry of Economy and Finance and the Ministry of Enterprise and Made in Italy.

On 30 June 2023, in execution of the resolution of the Board of Directors dated 28.06.2023, adopted following a positive opinion on the operation by the CRO Department, Fineco together with other banks distributing Eurovita policies (Banco BPM, Banca Monte dei Paschi di Siena, BPER, Credit Agricole Italia, Intesa Sanpaolo and Mediobanca) and the five leading Italian insurance companies (Allianz Italia, Intesa Sanpaolo Vita, Generali Italia, Poste Vita and Unipol SAI), reached an agreement aimed at pursuing and achieving the objective of ensuring full protection of investors who have subscribed to Eurovita policies.

The operation provided, as an intermediate technical step, the initial transfer of the policies to a newly established insurance company, Cronos Vita S.p.A., in which the five insurance companies mentioned above hold an interest.

Upon completion of the operation, the entire insurance portfolio of the distributing banks will be taken over by the five insurance groups, which will become the new reference companies of the existing policyholders.

IVASS and the Bank of Italy closely followed the settlement of the operation within the framework of their institutional roles and welcomed the agreement.

[1] Change in fair value of the equity securities exposure to the Voluntary Fund established by the Interbank Deposit Protection Fund in the amount of € -0.3 million (net of tax effect).

On 27 September 2023, Fineco signed the contractual documentation relating to the transaction, which provided, in particular, for the execution of a loan agreement for the granting by FinecoBank to Cronos Vita S.p.A. of a loan up to a maximum amount of € 555 million with a maturity date falling on the eighth anniversary of the day following the closing date, which occurred on 31 October 2023.

The loan is backed by:

- collateral pledged in accordance with the provisions of, *inter alia,* Italian Legislative Decree No. 170/2004 (to the extent applicable), relating to the financial instruments identified in application of the asset selection criteria set forth in the Loan Agreement (the "Relevant Assets Financial Guarantee"); and
- a first demand surety guarantee issued by the five insurance companies holding an interest in the capital of Cronos Vita S.p.A. for a total guaranteed amount equal to 120% of the maximum amount of the loan to guarantee the full and punctual fulfilment by Cronos S.p.A. of all obligations arising from the Loan Contract (so-called Insurance Companies Guarantee).

The Parent Company also entered into a servicing agreement whereby FinecoBank appointed Cronos Vita S.p.A., which accepted, to perform certain services related to the policies included in the servicing portfolio.

Finally, Fineco has also signed a cost rebalancing agreement with the other distributing banks, whereby the banks that distributed risk class III policies undertake to pay, each according to specific percentages, in favour of the banks that distributed risk class I and V policies, a maximum annual amount equal to 30% of the costs incurred by the latter, for a period of eight years from the date on which the aforementioned contracts come into force and become effective.

At 31 December 2023, as part of this bail-out operation, the Bank had disbursed loans totalling € 292.5 million, on which interest of € 0.7 million had accrued. Servicing fees amounted to € 1.2 million. In addition, a provision was made in the Discounted Provision for Risks and Charges to meet the obligations arising from the rebalancing agreement mentioned above.

With regard to the servicing fees FinecoBank pays to Cronos Vita S.p.A., the Bank performs periodic reviews as required by IAS 37.

At 31 December 2023, there were no significant impacts arising from the Russia-Ukraine conflict in terms of deterioration of the Group's loan portfolio to ordinary customers. The latter is in fact mainly composed of loans granted to retail customers, mainly backed by financial and real estate collateral, and disbursed in application of a careful and prudent lending policy. For mortgage loans, the average loan-to-value ratio is approximately 50% and credit facilities are backed by guarantees with conservative margins.

On 12 September 2023, the Board of Directors of FinecoBank resolved to close the business in the UK market. The decision follows the significant change in the regulatory environment in the UK following the exit from the European Union. On 13 December 2023, the application for the company's dissolution was filed with the British Company House and on 26 December 2023, the request for cancellation was published in the Italian Official Gazette, which will be effective two months from that date, in the absence of any opposition to cancellation. As of 2024, therefore, all necessary activities are planned to proceed with the closure of the still existing accounts in compliance with current regulations.

3. Other events during the period

On 16 February 2023, FinecoBank successfully completed the placement of its second market issue of Senior Preferred bonds for qualified investors in the amount of € 300 million. The issue, which is part of the EMTN programme[2] (Euro Medium Term Notes), has a fixed-rate annual coupon for the first 5 years equal to 4.625% (with a spread equal to 5-year Mid Swap rate + 150 basis points, compared to an initial guidance of 5-year Mid Swap rate + 175 basis points), floating rate between the fifth and sixth year, 6-year maturity with call option for the issuer on the fifth year, is a public placement intended for trading on the regulated market managed by Euronext Dublin and has a rating of BBB (S&P Global Ratings).

During the first half of 2023, the FinecoBank Group participated for the first time in the EU-wide stress test conducted by the European Central Bank (ECB) and the European Banking Authority (EBA), in cooperation with the Bank of Italy and the European Systemic Risk Board (ESRB).

On 28 July 2023, the results of the aforementioned EU-wide stress test were published, confirming FinecoBank's capital strength: the impact on capital ratios, less than 300 bps in the adverse scenario, places the Group among the top three Italian banks undergoing the stress test and among the best in Europe.

With reference to the extraordinary tax payable by banks as a result of the increase in interest rates and the cost of credit introduced by Article 26 of Italian Decree-Law No. 104 of 10 August 2023, the Board of Directors of FinecoBank held on 10 October 2023 resolved to propose in the Report to the 2023 Financial Statements, at the annual shareholders' meeting, the allocation of a portion of profit to a non-distributable reserve set up for this purpose, for an amount not less than two and a half times the tax payable. This reserve meets the conditions set forth in Regulation (EU) No. 575/2013 for its eligibility as an element of primary tier 1 capital. In the event of losses or profits for the year being less than that amount, the reserve shall also be established or supplemented by using the profits of previous years as a priority, starting with the most recent ones, and thereafter the other available equity reserves.

Therefore, taking into account the characteristics of the law and the decision of the Board of Directors not to settle the tax and to set up the specific non-distributable reserve, the Bank did not recognise any charge or obligation in the Financial Statements at 31 December 2023 with reference to the aforementioned tax; accounting of the Reserve will take place in accordance with the outcome of the shareholders' resolution.

During 2023, FinecoBank continued to purchase additional Tax Credits pursuant to Article 121 of Italian Decree-Law 34/2020.

The consolidated balance sheet item "130. Other Assets" includes "Tax Credits pursuant to Article 121 Decree-Law 34/2020" acquired by FinecoBank and includes both tax credits acquired as a result of assignment by direct beneficiaries and those acquired as a result of assignment by previous purchasers.

Purchased tax credits at 31 December 2023 are recognised at a balance sheet amount of € 1,618 million, up from the amount of € 1,093 million outstanding at 31 December 2022 as a result of the purchases made during 2023, which were higher than the offsets made.

In the Consolidated Notes to the Financial Statements, it is specified that among the Tax Credits pursuant to Article 121 of Law Decree 34/2020 by FinecoBank on the secondary market, for a total amount of approximately € 393 million, there are also credits that have been subject to preventive

[2] The EMTN programme was approved by Fineco's Board of Directors on 15 December 2022 and finalised on 13 February 2023.

seizure in criminal proceedings, completely unrelated to FinecoBank, for a total amount of approximately € 56 million.

The issue of purchased tax credits and offsetting allowances that are no longer feasible was brought to the attention of the independent auditors, who did not find any critical issues with regard to the presentation in the financial statements and was the subject of requests and in-depth investigations by the Board of Statutory Auditors in dedicated meetings with KPMG in the presence of the Head of Tax and Advisory Affairs and Fineco's CFO, and information was obtained from the Legal function.

With reference to the Minimum Requirement of Own Funds and Eligible Liabilities (MREL), in December 2023 FinecoBank received the updated decision on the determination of the Minimum Requirement of Own Funds and Eligible Liabilities (MREL) from the Single Resolution Board and the Bank of Italy, which replaces the previous decision communicated to the public in March 2023. At 1 January 2024, FinecoBank will have to comply on a consolidated basis with an MREL TREA (risk exposure) requirement of 18.94% - to which the applicable Combined Buffer Requirement must be added - and an MREL LRE (total leverage exposure) requirement of 5.25%. For the purpose of compliance with the requirement and the calculation of other eligible liabilities issued by Fineco, no subordination requirement is required in the issuance of eligible MREL instruments (e.g., senior unsecured). At 31 December 2023, FinecoBank is already well above the requirements to be met at 1 January 2024.

The FinecoBank Banking Group, as a significant entity pursuant to Regulation 468/2014 (MVU), is subject to direct supervision by the European Central Bank (ECB). Accordingly, the annual Supervisory Review and Evaluation Process (SREP) is carried out by the Joint Supervisory Team (JST) assigned to Fineco, composed of analysts from the ECB DG 'Specialized Institutions & LSIs' and the Bank of Italy's Banking Supervision Service 1.

4. Atypical or unusual transactions

The Financial Statements, the information received during the Board of Directors' meetings and the information provided by the Chairperson, the Chief Executive Officer, Management, the Head of Internal Audit and the Statutory Auditor did not reveal any atypical and/or unusual transactions, including inter-group or with related parties.

5. Intra-Group and Related-Party Transactions

FinecoBank has a Global Policy "Procedure for the management of transactions with parties in potential conflict of interest of the FinecoBank Group" (the "Global Policy") which aims to define, within the Bank and FinecoBank Group's transactions, the principles and rules to be observed in order to control the risk deriving from situations of possible conflict of interest determined by the proximity of certain parties to the decision-making centres of the Bank and of the other companies in the Group.

This Global Policy was last updated by the Board of Directors at its meeting of 7 February 2023, with the prior favourable opinions of the Risks and Related Parties Committee and the Board of Statutory Auditors.

Inter-group or related party transactions are disclosed in the Consolidated Directors' Report and in the appropriate section of the Consolidated Notes to the Financial Statements - Part H - with an indication of the assets, liabilities, guarantees and commitments, costs and revenues outstanding at 31 December 2023, broken down by the different types of related parties pursuant to IAS 24.

During the 2023 reporting period, the Fineco Group entered into transactions with Italian and foreign related parties in general of a minor nature falling within the ordinary course of the Bank's operations and related financial activities, and transactions concluded on standard terms, i.e., terms similar to those applied for transactions concluded with independent third parties. No other transactions with related parties were implemented that would have a material impact on the financial position or results of the Bank and the FinecoBank Group, nor any atypical and/or unusual transactions, including inter-group or with related parties.

The Board of Statutory Auditors, which attended all the meetings of the Risks and Related Parties Committee during the year, in which transactions with related parties and associated persons were also examined, monitored compliance with the procedural rules adopted by the Bank as well as compliance with the provisions on transparency and public information, and verified that in the Consolidated Directors' Report and in the Notes to the Financial Statements, the Board of Directors provided adequate disclosure on transactions with related parties in accordance with the regulations in force.

6. Supervision of the Independent Auditors

The Board of Statutory Auditors, identified by Art. 19 of Legislative Decree 39/2010 in the updated version following the reform of external audits implemented by Legislative Decree 135/2016 "Internal control and external audit committee" supervised: (i) the financial reporting process; (ii) efficiency of internal control and risk management systems; iii) on the statutory audit of annual and consolidated accounts; and (iv) on the statutory auditor's independence, in particular as regards the provision of non-audit services.

The Board of Statutory Auditors examined the Audit Reports issued on 15 March 2024 by the auditing firm KPMG S.p.A. in accordance with Article 14 of Italian Legislative Decree No. 39/2010 and Article 10 of Regulation (EU) 537/2014 on the Group's Financial Statements and Consolidated Financial Statements at 31 December 2023, to which reference is made for any detailed information.

In summary, with reference to the separate financial statements of the company FinecoBank the auditing firm expressed the following opinion:

- "the separate financial statements give a true and fair view of the financial position of FinecoBank S.p.A. as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15".

In relation to other legal and regulatory provisions, it expresses the following opinions:

- the financial statements at 31.12.2023 were prepared in XHTML format in accordance with the provisions of Delegated Regulation (EU) 2019/815;
- the Directors' Report and certain specific information contained in the report on corporate governance and ownership structure are consistent with the financial statements of FinecoBank at 31 December 2023 and have been prepared in accordance with the law.
- With reference to the declaration referred to in Article 14, paragraph 2, letter e of Italian Legislative Decree No. 39/10, issued on the basis of the knowledge and understanding of the Company and its context acquired in the course of the audit activity, nothing to report.

Similarly, with reference to the Consolidated Financial Statements, auditing firm KPMG S.p.A. expressed the following opinion:

- "the consolidated financial statements give a true and fair view of the financial position of the FinecoBank Group as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and article 43 of Legislative decree no. 136/15".

In relation to other legal and regulatory provisions, it expresses the following opinions:

- the consolidated financial statements at 31 December 2023 have been prepared in XHTML format and have been marked in all significant aspects in accordance with the provisions of Delegated Regulation (EU) 2019/815. Certain information contained in the Notes to the

Consolidated Financial Statements when extracted from the XHTML format in an XBRL instance, due to certain technical limitations, may not be reproduced identically to the corresponding information displayed in the consolidated financial statements in XHTML format;

- the Directors' Report and certain specific information contained in the report on corporate governance and ownership structure are consistent with the Consolidated Financial Statements of the FinecoBank Group at 31 December 2023 and have been prepared in accordance with the law;
- with reference to the declaration referred to in Article 14, paragraph 2, letter e of Italian Legislative Decree No. 39/10, issued on the basis of the knowledge and understanding of the Company and its context acquired in the course of the audit activity, nothing to report.

On 15 March 2024, the Independent Auditors also issued the Supplementary Report, pursuant to Article 11 of Regulation (EU) No. 537/2014, from which no significant deficiencies in the internal controls system in relation to the financial reporting process that should be brought to the attention of those responsible for governance activities emerged.

Together with the Supplementary Report, the Independent Auditors provided the Board of Auditors with the annual confirmation of independence pursuant to Article 6, paragraph 2), lett. a) of the EU Regulation 537/2014 and pursuant to the paragraph 17 of the international auditing standard (ISA Italy) 260.

The Board of Auditors held periodic meetings, in accordance with Article 150, paragraph 3, of the Consolidated Law on Finance and the provisions of Legislative Decree no. 39/2010, with the Independent Auditors - examining the 2023 audit activity plan, verifying its adequacy, monitoring its execution and promptly exchanging data and information relevant to the performance of their respective tasks - without any particular findings having to be reported, nor any facts deemed reprehensible that required the formulation of specific reports pursuant to Article 155, paragraph 2, of the Consolidated Law on Finance.

In the Notes to the Consolidated Financial Statements, as well as in the Parent Company's Notes to the Financial Statements, pursuant to Article 149 - duodecies of the Issuers' Regulation, disclosure is made of the fees for the statutory audit of the accounts, as well as the fees for permitted services, other than auditing, provided in the reporting period ended 31 December 2023 to FinecoBank and the subsidiary Fineco AM by the Independent Auditors and the entities in the network to which the Independent Auditors belong.

Below are the fees in euro units (net of VAT and expenses, but including the contractually agreed ISTAT adjustment):

- for services provided to FinecoBank:

Type of service	*Service provider*	*Fees*
Audit	KPMG S.p.A.	200,488
Certification services	KPMG S.p.A.	208,179
Other Services	KPMG S.p.A.	37,500
TOTAL	**Euro**	**446,167**

- for services provided to the subsidiary Fineco AM

Type of service	*Service provider*	*Fees*
Audit	KPMG (Ireland)	27,500
Certification services	KPMG (Ireland)	42,500
TOTAL	**Euro**	**70,000**

At the consolidated level, Fineco AM's certification services refer to the audit of the reporting packages prepared by Fineco AM for the preparation of the consolidated financial statements of the FinecoBank Group at 31 March, 30 June and 30 September and the audit of Fineco AM's financial statements at 30 September each year.

In 2023, the Board of Statutory Auditors approved in advance the assignment to the auditing firm KPMG S.p.A. of professional assistance for the following activities:

- Methodological support to the preparation of the chapter "Alternative Performance Measures" (APM) included in the prospectus of the Euro Medium Term Note Programme (hereafter EMTN), as requested by the CBI and Euronext Dublin in compliance with ESMA guidelines, including the recent ESMA APM guidelines;
- Consistency analysis between the financial data at 30 June 2022 in the EMTN Programme prospectus and what is present in the half-year consolidated financial statements at 30/06/2022 necessary to examine the accuracy of the APM 2022 data inherent in the EMTN prospectus for the issuance of debt securities admitted to trading on a regulated market of the European Economic Area (EEA);
- Comfort letter and Bring down letter issue AT1 and Senior Preferred 300 million February 2023.

7. Supervisory activities on the adequacy of the administrative-accounting system and its reliability in correctly representing management events

The Board of Statutory Auditors supervised compliance with the regulations governing the structured administrative and accounting process, by virtue of which the Financial Reporting Officer in charge of drawing up company accounts and the Chief Executive Officer and General Manager issue the certifications required by Art. 154-bis of the TUF.

The Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee, also monitored the financial reporting process, without encountering any problems or critical concerns.

The administrative and accounting procedures for the preparation of the Company's Financial Statements, the Consolidated Financial Statements and any other financial communication, have been prepared under the responsibility of the Financial Reporting Officer, who, together with the Chief Executive Officer and General Manager, in their periodic reporting and in the "Report on the system of internal controls on financial reporting in compliance with Law no. 262/2005," of which the Board of Directors was informed on 1 August 2023 and on 6 February 2024, certifies the adequacy of the effective application of the controls, in relation to the characteristics of the Company and the Fineco Group and the effective application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements and the Financial Statements of the Company of FinecoBank at 31 December 2023.

The assessment of the adequacy of the administrative and accounting procedures for the preparation of the annual financial statements is based on a model defined in accordance with the Internal Control - Integrated Framework (CoSO) and the Control Objective for IT and Related Technologies (Cobit), which are generally accepted *international* reference standards for the internal controls system and for financial reporting in particular.

The Financial Reporting Officer, the Chief Executive Officer and General Manager of FinecoBank also certify that the Consolidated Financial Statements and the Financial Statements of the Company:

- were prepared in compliance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of 19 July 2002;
- correspond to results in the accounts, books and records;
- give a true and fair view of the assets and liabilities, profit and loss, and financial position of the issuer and, for the consolidated financial statements, of all the companies within the scope of consolidation;
- the Report includes a reliable analysis of the performance and of the results of the administration, as well as the situation of the issuer, of all the companies within the scope of consolidation, together with the description of the main risks and uncertainties to which they are exposed.

During the meetings with the Board of Statutory Auditors, the Financial Reporting Officer of the Parent Company did not report any shortcomings in the operating and control processes that could invalidate the aforementioned judgment of adequacy and effective application of the administrative and accounting procedures for the purpose of correct economic, equity and financial representation of the management facts in compliance with the adopted accounting standards.

On a regular basis, the Financial Reporting Officer submits to the Board of Directors an update of the situation of the activities carried out and the progress of the activities aimed at improving the Internal Controls System relating to Financial Reporting.

During the periodic meetings aimed at the exchange of information, the External Auditor did not report significant critical aspects of the internal controls system regarding the financial reporting process.

The Financial Statements at 31/12/2023 of FinecoBank S.p.A. are prepared, pursuant to Italian Legislative Decree No. 38 of 28 February 2005, in accordance with the accounting standards issued by the International Accounting Standards Board (IASB), including the related SIC and IFRIC interpretations, endorsed by the European Commission, as provided for in European Union Regulation No. 1606/2002 of 19 July 2002 and applicable to financial statements for reporting periods beginning on 1 January 2023.

On 25 October 2023, ESMA published Public Statement ESMA32-193237008-1793 'European common enforcement priorities for 2023 annual financial reports,' the annual public statement in which it set out the common European enforcement priorities for the preparation of the 2023 annual financial reports of issuers admitted to trading on EEA regulated markets ('European Economic Agreement'). Fineco reviewed the recommendations contained therein and assessed their scope and applicability in the FinecoBank's Financial Statements at 31/12/2023.

The Board of Statutory Auditors supervised the preparation of the Company and Consolidated Financial Statements at 31 December 2023 in accordance with the aforementioned accounting standards.

The Financial Statements also form an integral part of the Annual Financial Report pursuant to paragraph 1 of Article 154-ter of the Consolidated Finance Act (TUF, Legislative Decree No. 58 of 24/2/1998).

The formats of the financial statements and notes used by Fineco correspond to those established by the Bank of Italy in Circular No. 262 of 22 December 2005 and subsequent updates

Directive 2004/109/EC (the 'Transparency Directive') and the Delegated Regulation (EU) 2019/815 required issuers of securities listed on regulated markets in the European Union to prepare their annual financial report in XHTML, based on the ESMA-approved European Single Electronic Format (ESEF). Furthermore, where the annual financial report contains consolidated financial statements prepared in accordance with IFRS (International Financial Reporting Standards), the economic and financial information is marked using XBRL (eXtensible Business Reporting Language) with the aim of further enhancing the accessibility, analysis and comparability of the data contained therein.

At its meeting of 12 March 2024, the Board of Directors of FinecoBank approved the taxonomy to be used for the marking of the 2023 Consolidated Financial Statements and Notes to the Consolidated Financial Statements, an integral part of FinecoBank's Annual Financial Report, and the XHTML version, included in the ESEF package, of the same Annual Financial Report, which will be published in the XHTML language based on the unique ESEF electronic communication format approved by ESMA, on Fineco's website, to fulfil the communication obligations established by Directive 2004/109/EC (i.e. Transparency Directive).

The Financial Statements documents in PDF format, made available by FinecoBank as a courtesy copy, do not constitute compliance with the obligations arising from the "Transparency Directive" and the Delegated Regulation (EU) 2019/815 (the ESEF - European Single Electronic Format - Regulation) for which a special XHTML format has been developed.

On the basis of the evidence found and the information provided by the Financial Reporting Officer, as well as the observations of the Auditing Company, the Board of Statutory Auditors has reason to believe that the administrative and accounting system of the Bank is reliable and adequate to ensure a complete, timely and reliable representation of management events, in compliance with the adopted accounting standards.

8. Consolidated Non-financial Statement pursuant to Legislative Decree No. 254/2016 (NFS)

Pursuant to Legislative Decree 254/2016, Fineco has prepared, for the fifth year running, the "Consolidated Non-Financial Statement of the FinecoBank Group" (hereinafter also only "DNF" or "Report"), which constitutes a separate report from the Consolidated Directors' Report, as provided for by the option of Article 5, paragraph 3, letter b) of Legislative Decree 254/2016.

The Report, which was approved by the Board of Directors on 12 March 2024, has been prepared in accordance with Articles 3 and 4 of Legislative Decree 254/2016 and was preceded by the materiality analysis conducted for the previous reporting period and confirmed also for 2023.

The approval by the Board of Directors at its meeting on 12 March 2024 was preceded by the review and assessment of the Corporate Governance and Environmental and Social Sustainability Committee and the Risks and Related Parties Committee at their joint meeting on 22 February 2024.

The DNF for the reporting period 2023 has been prepared in continuity with the DNF for 2022, pending the relevant updates that will be subsequently introduced in accordance with new regulatory requirements. Also in response to requests from some rating agencies, improvements has been made in the representation of certain areas such as: training, trading and outsourcing. In addition, the disclosure of the new Multi-Year Plan ESG 2024-2026 (MYP ESG 24-26), which includes the Environmental Programme pursuant to the EMAS Regulation, approved by the Board of Directors in December 2023, was integrated into the DNF.

The Bank has organised itself in view of the significant impact of the changes introduced by the external CRSD regulation. The gap analysis is ongoing with the support of an external consulting company.

In accordance with the requirements of Legislative Decree 254/2016, the scope of the data and information includes the companies consolidated on a line-by-line basis within the Consolidated Financial Statements 2023, i.e., FinecoBank S.p.A. and the Irish-based subsidiary Fineco Asset Management DAC.

In line with the previous year, the reporting process is governed by the Global Operational Regulation FB 026_2021 "Drafting and Publication of the FinecoBank Group's Consolidated Non-Financial Statement" and was carried out through the use of a platform dedicated to the collection of data and information. This tool provides, for each thematic area subject to reporting, for the assignment of specific roles within each of the Bank's structures involved by competence (data owner, data reviewer, data approver), in order to ensure the relevant internal controls. In addition, through its various functions, this tool makes the reporting process more efficient, faster and more collaborative, and also reduces the operational risks resulting from manual data processing.

Also for the year 2023 this Report includes two additional documents: the PRB Reporting and Self-Assessment Template (PRB Report), required as part of adherence to the UN Principles for Responsible Banking (UN PRB), which in the year 2023 includes the impact analysis, and the Environmental Statement, required as part of EMAS environmental certification.

In terms of regulatory compliance, the document was supplemented with the disclosure required by Regulation (EU) 852/2020 ('Taxonomy') for the reporting period 2023, and with the aforementioned PRB Report being subjected to assurance for the first time, in line with UN PRB requirements.

Specifically, these principles require that from the third year onwards, the PRB Report is subject to limited assurance, in line with the Guidance for assurance providers - Providing Limited Assurance for Reporting Version 2 (updated October 2022).

With regard to methodology, reference to the GRI Standards was maintained, in continuity with 2022.

The Board of Statutory Auditors monitors compliance with the relevant provisions set out in Legislative Decree 254/2016.

The Board of Statutory Auditors received periodic updates on the progress of the preparatory activities for the preparation of the NFS and examined the documentation made available, as well as the Assonime Circular No. 13 of 12 June 2017 commenting on Legislative Decree No. 254/2016 and No. 4 of 11 February 2019 (Updates on non-financial reporting).

Pursuant to article 3, paragraph 10 of Legislative Decree No. 254/2016, the verification of the conformity of the information provided with respect to the applicable regulations and the reporting standards adopted is the responsibility of the Statutory Auditor, with a specific report, separate from that of Article 14 of Legislative Decree No. 39/2010.

The FinecoBank Group's DNF at 31.12.2023 is subject to an opinion of conformity ("limited assurance engagement" according to the criteria indicated by the ISAE 3000 Revised standard) by the auditing firm KPMG S.p.A., which expresses in a separate report an attestation on the conformity of the information provided pursuant to Article 3, paragraph 10 of Legislative Decree 254/16.

The Board of Statutory Auditors met with the Independent Auditors for a preliminary indication regarding the examination method adopted and also took note of the "Report of the Independent Auditors on the Consolidated Non-Financial Statement" (Report) for the period ended 31 December 2023, issued on 15/03/2024, in which the Independent Auditors, after expressly indicating the procedures carried out, concluded that, on the basis of the work carried out, no evidence came to its attention to suggest that the FinecoBank Group's DNF for the period ended 31 December 2023 has not been prepared, in all material respects, in compliance with the requirements of Articles 3 and 4 of the Decree and with the "Global Reporting Initiative Sustainability Reporting Standards" defined by the GRI- Global Reporting Initiative ("GRI Standards").

On the basis of the information acquired, the Board of Statutory Auditors notes that, during the examination relating to the Non-Financial Statement, no factors of non-compliance and/or breach of the relative regulatory provisions came to its attention.

9. Supervision of the adequacy of the internal control and risk management system and the adequacy of the control functions

FinecoBank, in its capacity as Parent Company, has provided the group with a coherent system of internal controls allowing for effective control of the strategic choices of the Group as a whole and the sound management of the individual Group entities.

The Bank's information system, which meets security and efficiency requirements, plays a primary support role.

Among the most current objectives of the Bank's system of internal controls is the management of IT security, which includes processes and measures aimed, in connection with the general corporate action to preserve the security of corporate information and assets, at ensuring that each IT resource is appropriately and consistently protected, in terms of confidentiality, integrity, availability, verifiability and accountability, throughout its entire life cycle, including by means of periodic and constant performance monitoring. The objective of this process is also to contribute to the compliance of the information system with the law and internal and external regulations.

The Board of Auditors has periodically interfaced with the ICT & Security function, emphasising the importance of prudent and constant attention to cybersecurity risks, also in light of the recent recommendations issued by the Italian National Cybersecurity Agency. The Board of Statutory Auditors has received confirmation that Fineco's ICT & Security function is constantly monitoring IT security, also in relation to external events, with appropriate measures aimed at remedying vulnerabilities and reinforcing organisational and technical safeguards, also intensifying information flows with the control bodies.

Cyber security in the banking sector is increasingly a priority for the European Central Bank, which, for the first time in early 2024, has scheduled a cyber resilience stress test for all supervised banks, including FinecoBank, aimed at measuring the preparedness and degree of resilience of European credit institutions with regard to cyber risks. In addition, FinecoBank was involved in an *enhanced assessment* dedicated only to a *subset* of supervised institutions. The test is the first of its kind and focuses on how banks' response and recovery mechanisms would deal with a serious but plausible cyber attack. Supervisory authorities will review the results, expected by summer 2024, to identify any weaknesses and shortcomings and ensure that banks remediate them to withstand real attacks.

Considering the functions and units involved, the Internal Controls System of FinecoBank is based on: - control functions and positions, which involve, each for their area of responsibility, the Board of Directors, the Risks and Related Parties Committee, the Chief Executive Officer and General Manager, the Board of Statutory Auditors, as well as the corporate functions with specific internal control duties; - procedures for entities involved in the internal control and risk management system to work together.

The Bank set up permanent and independent corporate control functions for: i) compliance with regulations; ii) risk management; iii) internal audit. A similar control system was defined for the subsidiary Fineco AM.

The 2nd and 3rd level control functions of the Parent Company annually submit a report to the corporate bodies that describes the checks carried out, the results, any weaknesses identified with reference not only to the parent itself, but also the banking group as a whole and recommend the actions to be taken to remove identified shortcomings.

At management level, the Bank has also established the Control Functions Coordination Committee (hereinafter also referred to as the 'CFC Committee') and the Internal Control Business Committee (ICBC). The CFC Committee is responsible for ensuring integration and coordination among the Control Functions in order to coordinate the risk mitigation measures identified by the functions and improve the Company's Internal Controls System. The ICBC represents an interface between Business and Control Functions on issues related to internal controls, to ensure prompt and effective guidance on critical issues or actions on potential areas of weakness, also through the verification of management action plans for implementation and/or remediation prepared by the competent functions, to mitigate related risks.

The Board of Statutory Auditors acquired information, held meetings with the corporate functions and supervised the functioning and adequacy of the internal controls system.

For each of the control functions, the Board of Auditors briefly illustrates what has emerged from the control, on an ongoing basis, during the year.

Internal Audit

The Board of Statutory Auditors acknowledges that the quarterly reports and the annual report prepared for 2023 by Internal Audit for its own assessment of the Internal Controls System - also containing sections dedicated to the results of the Audit activity carried out on the Bank's processes, the Network of Personal Financial Advisors and the Audit Findings including their time-based composition - were duly presented to the Risks and Related Parties Committee, the Board of Statutory Auditors and the Board of Directors and discussed there.

The Report as at 31.12.2023, submitted to the Board of Directors on 12 March 2024, provides an overview of the Bank's internal controls system based on the results of the audits carried out, focusing - in detail - on the findings of significant risks and on the corrective actions planned by management and process owners.

The Report also provides information on the structure and staff of the Internal Audit function; furthermore, considering the role of the Parent Company's Internal Audit function, the Report includes a summary of the results of the activities carried out by the Internal Audit function of the subsidiary Fineco Asset Management DAC.

The Internal Controls System of FinecoBank S.p.A. has been assessed by the Internal Audit function as mostly satisfactory, considering the results of the audits carried out in 2023, the trend of findings, including those made by Regulators, as well as all available information, including the assessments made by other internal and external assurance providers.

The level two control activities performed by the Risk Management and Compliance departments on the processes audited during the year were, on the whole, adequate.

The 2023 annual audit plan, defined on the basis of the analysis of the risks emerging from the annual update of the Risk Assessment and taking into account the Group's Guidelines as well as the regulatory obligations in force and the need for follow-up of previous audits issued with a negative opinion, was approved by the Board of Directors at the meeting of 23 January 2023 and then modified with the resolution dated 12 September 2023; provided for the performance of 20 audits on processes, of which 2 to be started by 2023 (in relation to requests made by the Board of Statutory Auditors and the Risks and Related Parties Committee) and subsequent issuance in 2024, 3 mandatory annual reports and 400 audits on the Personal Financial Advisor (PFA) network.

During the year, the approved annual plan was completed and an additional unplanned audit requested by the Board of Directors was carried out.

In carrying out its activity, Board of Statutory Auditors monitored compliance with the Audit plan - in relation to both the central structures and processes of the network of Personal Financial Advisors - verifying the timing of effective implementation.

During 2023, as planned, PricewaterhouseCoopers (PwC) carried out the external Quality Assurance Review (QAR) for the purpose of issuing the 'QAR certification' in accordance with the procedures of the International Standards on Assurance Engagements 3000 issued by the International Auditing and Assurance Standards Board ('IAASB'); In early 2024, PwC issued the certification, expressing the highest rating on the 3-level scale ("Generally Compliant", "Partially Compliant", "Non-Compliant") used in accordance with the framework defined in the Quality Assessment Manual issued by the Institute of Internal Auditors, having found that the organisation and performance of the Internal Audit Function's activities are "Generally Compliant" with the Standards for the Professional Practice of Internal Auditing and with the Code of Ethics of the Profession in force at the time the activities are performed.

During 2023, PwC also completed the qualitative-quantitative assessment of the Internal Audit function, requested by the Board of Statutory Auditors, issuing a report that was presented to the corporate bodies; In summary, PwC analysed the organisational aspects, operating methods, information flows and reporting, and mechanisms adopted by the Function to monitor and improve the quality of Internal Audit activities.

The results of the assessment revealed compliance with regulatory and self-regulatory provisions and substantial uniformity with the peers analysed, as well as providing, from a forward-looking perspective, some evolutionary and innovative ideas for the Function.

With effect from 30/06/2023, the organisational structure of the Internal Audit Department was changed; In particular, considering the growing importance attributed to the management and control of ICT and security risks, also by the 40th update of the Bank of Italy Circular 285/2013, the controls relating to this area were separated into a new Unit called Audit ICT, Security and Support Processes, reporting to the Internal Audit Department. Consequently, the Processes Audit Unit was renamed to Governance and Business Processes Audit Unit.

During 2023, activities continued for the gradual increase of resources to achieve the target sizing of the function resolved by the Board of Directors on 8 November 2022. Management is stepping up research activities to anticipate the achievement of the indicated target sizing, as recommended by the Board of Statutory Auditors, also in light of the need to increase plan audits, given the Bank's growth also in size.

The Board of Statutory Auditors examined the Audit Reports published by Internal Audit in 2023 using the information contained therein and also asking for supplementary information, promptly provided by the function, that was deemed necessary to carry out its activity and monitor the implementation of the relevant recommendations and corrective actions. Special attention was also paid, in respect of the Head of the organisational areas concerned, that the deadlines for carrying out the planned remedial actions be complied with.

Risk Management

During 2023, the Board of Statutory Auditors periodically met with the Chief Risk Officer (CRO) to perform an ongoing monitoring of the function under its responsibility and get more in-depth information reports prepared by him for the Corporate Bodies, in order to supervise, also through participation in the meetings of the Risks and Related Parties Committee, the effectiveness, completeness, functionality and reliability of the internal control and risk management system and the Risk Appetite Framework, in line with the provisions of the Corporate Governance Code and supervisory provisions.

In compliance with the provisions of the Bank of Italy regulations (Circular No. 285), on 23/01/2023, the Action Plan of the risk control and internal validation function for the year 2023 was submitted to the Board of Directors for appropriate information.

The project activities of the risk control function planned for 2023 were focused on the conduct of the Comprehensive Assessment, which consists of two very complex and structured exercises conducted by ECB: the SSM Stress Tests (every two years) and the Asset Quality Review (AQR), an extraordinary exercise initiated by the ECB Process SREP. Risk Management activities were particularly concentrated in the SSM Stress Tests with the necessary coordination of the Bank's cross-functional working group.

As part of the SREP Process, the CRO Department updated the internal stress test framework, developed an internal model for calculating internal capital against operational risks and participated in the Resolvability Work Programme.

With reference to the 2022 ICAAP/ILAAP report, on 24/03/2023 the Internal Audit function issued an audit report with a mostly satisfactory assessment of what was audited: compliance with both external and internal applicable regulations of the controls adopted in the procedures for defining the Group Risk Appetite Framework (RAF), for assessing capital adequacy (ICAAP - Internal Capital Adequacy Assessment Process), calculated considering the scope of consolidation and liquidity (ILAAP - Internal Liquidity Adequacy Assessment Process), and of the relative supporting documentation.

All risk control activities of an ordinary nature were carried out according to schedule and were confirmed and supplemented for the year 2023. With reference to breaches of the limits set in the approved Policies, these were managed through the escalation processes and, as required, information was provided to the Corporate Bodies in the Quarterly Risk Exposure Report.

As required by the Global Policy Framework of Integrated Controls and Risks, approved by the Board of Directors in November 2023 and in accordance with regulatory requirements, Risk Management has assessed the robustness and effectiveness of the stress testing programme and the need for its updating at least on an annual basis.

For the year 2023, the general framework of the stress tests as well as the schedule for conducting them was developed following on from the framework adopted in the previous year, including the feedback received from ECB within the SREP process and additional analyses in the ESG area.

At the meeting of 8 March 2024, the CRO function anticipated the contents of the Annual Report on the Group's risk exposures as at 31 December 2023, which is currently being finalised, to the Board of Statutory Auditors, focusing on the general performance of risks in 2023, including compliance with the Risk Appetite Framework and the general performance of Internal Capital, as well as on the issues concerning Unrealised Losses, AQR, operating losses and the in-depth investigations carried out in the ICT and Security areas.

In December 2023, FinecoBank approved - in accordance with Bank of Italy regulations - the document "Group Risk Appetite 2024," which was defined in line with the Global Policy "Risk Appetite Framework" approved by the Board of Directors on 2 August 2022.

The FinecoBank Group's Risk Appetite 2024 maintains the structure of the Risk Appetite Statement and Risk Appetite KPIs(Key Performance Indicators). For each KPI, the respective thresholds are identified, consisting of Risk Appetite, Risk Tolerance and Risk Capacity, whose values have been appropriately revised in light of the business model, the budget process, the 2024-2026 Multi-Year Plan, approved by the Board of Directors on 14 December 2023, and the composition of FinecoBank's portfolio.

The review and selection of the new thresholds was shared with FinecoBank's CFO Department, as well as with all other functions directly involved in the calculation of individual KPIs.

As at 31 December 2023, the Chief Risk Officer (CRO) Department had 21 employees (20.67 Full Time Equivalent) and was organised internally into five teams reporting to the Chief Risk Officer; three of these are structured in relation to the individual risk profiles considered to be of greatest importance for the Group (credit, market and operational); while two Teams are dedicated to activities that cut across the various risk profiles.

Compliance

The Compliance Function monitors the risk of non-compliance with regulations and provides the necessary support to the Bank and the Group Entities, Corporate Bodies and staff, according to a risk-based approach, with regard to all corporate activities, and contributing, together with the other Corporate Control Functions, to the completeness, adequacy, functionality and reliability of the internal controls system, providing proactive advice or on request, and verifying that internal procedures are adequate to prevent such risk through risk measurement.

During the year, the Board of Statutory Auditors held periodic meetings with the Head of the Bank's Compliance function, to assess the planning of controls based on the risks identified and the results of the Level II controls carried out.

During the year, the Compliance Department underwent progressive evolutions that impacted its organisation, activities and staff, with the aim of ensuring and strengthening its oversight of the regulatory areas falling under its remit, in line with the relevant regulations in force.

With a view to strengthening the internal controls system, effective 30 June 2023, the Board of Directors approved a revision of the organisational structure of the Compliance Department. The aim of the revision is to create centres of excellence with a high degree of specialisation on regulations, processes and corporate procedures, through the redistribution of the activities inherent to Compliance Risk Assessment (CRA) and Level II Controls (2LCs), to the units already responsible for external regulatory monitoring and advisory activities, thus ensuring direct and vertical knowledge of the assessments of competence.

With specific reference to ICT & Security Compliance risk management, in compliance with the provisions of the reference regulatory framework (Bank of Italy Circular No. 285 - 40th update), the Compliance Function, with the support of the DPO Unit, Outsourcing, ICT & Security Compliance:

- ensures the compliance of ICT systems and projects, as well as of all activities carried out within the framework of the information system, with legal, regulatory or statutory provisions and internal regulations and codes applicable to the Bank;
- contributes to the definition of the information security policy for the area of competence in order to ensure its adherence to the applicable regulations, working mainly with the ICT & Security Office Department and the CRO Department;
- validates, as part of its internal policy evaluation process, the policy defining the Bank's ICT and security risk management methodology.

In order to better represent from an organisational point of view the autonomy and independence of the Anti-Money Laundering Function, the Board of Directors approved (on 14 December 2023, effective 1 April 2024):

- the transfer of the Anti-Money Laundering and Anti-Bribery Unit reporting directly to the Chief Executive Officer and General Manager, and its renaming as the Anti-Money Laundering and Anti-Bribery Department;
- the establishment of the new Compliance Oversight technical structure with staff of the Compliance Department, to which the activities of supporting the Compliance Officer in coordinating the oversight activities of the Compliance function at the Group's Legal Entities are assigned.

The Compliance Risk Assessment was among the main activities carried out in 2023: in accordance with the 2023 plan, the mapping and assessment of the risk of non-compliance in the following regulatory areas was completed: Market Abuse, SFTR (Securities Financing Transactions Regulation), Central Depositories (in relation to SHRD II), IDD (Insurance Distribution Directive), Supervisory Reporting (simplified RA), Outsourcing (simplified RA), Information System (simplified RA). At the same time, appropriate mitigation actions were defined and monitored (including those arising from level two controls and audit and supervisory findings on compliance-sensitive issues).

In 2023, a number of 792 second level controls have been carried out on 19 regulatory areas. The results of the monitoring were presented to the Risk and Related Parties Committee, the Board of Directors and the Board of Statutory Auditors of FinecoBank through specific reports and are integrated into the compliance risk assessment process.

In 2023, the catalogue of Level II controls under Compliance was supplemented with specific controls in the area of Product Oversight Governance.

Compliance follows the implementation of the corrective actions of which it is the risk owner and/or action owner resulting from audit engagements; during 2023, no audit findings were formulated, attributed to Compliance, with "critical" or "major" severity.

On 12 March 2024, the Board of Directors approved the 2024 Compliance Plan which illustrates the annual program of Compliance activities defined on the basis of the main risks to which the company is exposed and for which the related management interventions are planned.

The Plan provides budgets relating to the area of human resources and expenses for consultancy and IT services, necessary to carry out the activities planned for the year 2024.

As at 31/12/2023, the Department (including the AML Function) consists of 44 permanent and 2 fixed-term employees. The target sizing of the function provides for a total of 50 employees.

During the year, the Board of Statutory Auditors examined on a quarterly basis the Compliance Activities Report, as well as the Annual Report of FinecoBank's Compliance Function with reference to activities in 2023 and planning for 2024, discussed at the Risks and Related Parties Committee meeting on 11 March 2024 and then brought to the attention of the Board of Directors on 12 March 2024; it is divided into four sections: - 1. Compliance organisational model and human and technological resources; - 2. Activities carried out and results achieved; - 3. Identification and assessment of primary non-compliance risks; - 4. Specialist 285 controls: activities and results.

It should be recalled that, since July 2017, the Bank has been admitted to the so-called collaborative compliance scheme, provided for by Italian Legislative Decree No. 128 of 5 August 2015 (Articles 3 to 7), under which having an adequate tax risk management and control system in place is one of the essential requirements, not only for admission, but also for remaining in the aforementioned scheme.

* * *

In relation to the assessment of ICT and security operational risk, the 40th update of Bank of Italy Circular 285/2013 introduced significant changes in the management, assessment and monitoring of ICT and security risk. Among these, the document provides for the establishment of an ICT risk control and security function, leaving the bodies free to assign the new tasks to the existing corporate risk control and compliance functions, in relation to the roles, responsibilities and tasks of each of the two functions.

With effect from 30 June 2023, in order to implement the provisions of the 40th update of Circular no. 285/13 of the Bank of Italy regarding ICT Risk and Security, the Board of Directors resolved to update the responsibilities of the Chief Executive Officer and General Manager and the attribution of specific tasks to the second level control functions Chief Risk Officer (CRO) and Compliance.

The two Departments have consequently updated their control framework to fully align it with regulatory provisions. With reference to the CRO Department, this involved additions relating to the declination of the risk appetite, the ICT/Cyber risk metrics monitored, and the risk assessment of substantial changes to the information system.

The Group periodically carries out specific scenario analyses, aimed at assessing the impact of events characterised by low frequency but high severity, and on an annual basis an overall analysis of the cyber risk situation. In particular, the outcome of the latter activity, carried out with the cooperation of the Group's business, ICT and Organisation structures, was approved by the CEO and General Manager of the Parent Company in November 2023. The analysis showed that, compared to the business volumes handled and the complexity of the processes involved, FinecoBank's residual IT risk is low on average; the residual risk exposure was formally accepted by Fineco's process managers without the need to identify further mitigation measures.

The Group's objective is also to protect customers and business by ensuring data security, understood as availability, confidentiality and integrity. Particular attention is paid to Cyber Security & Fraud Management issues right from the design phase of the systems, as enabling elements for the proper definition of the solutions and services offered, also grasping the opportunities offered by the evolving regulatory context, in order to create full security for customers while maintaining ease of use.

With the start of the military conflict between Russia and Ukraine, the CSIRT (the National Cybersecurity Agency's response team) called for heightened attention and the adoption of all measures to protect ICT assets, a warning aimed at Italian companies that have dealings with Ukrainian operators. The Group's objective is also to protect customers and business by ensuring data security understood as availability, confidentiality and integrity. In the light of the Russian-Ukrainian crisis on the EU financial markets, particular attention was paid to assessing the related risks. In compliance with the measures provided for by the legislation in force, Fineco has undertaken a series of initiatives aimed at verifying its security posture and operational readiness, also making use of the indications and recommendations suggested by various national and international bodies. Without prejudice to the adoption of best security practices, both in terms of technical and organisational/procedural measures, additional mechanisms have been put in place to address any impacts arising from the contingent situation, while ensuring constant and continuous monitoring of the evolving context.

Data Protection Officer

At 1 January 2022, the "DPO, Outsourcing, ICT & Security Compliance" Unit was set up within the Compliance Function, with the aim of highlighting the importance attached by Fineco to privacy issues, through the allocation of resources dedicated to the monitoring of personal data protection regulations. The Unit therefore worked during the year to strengthen the analysis methodologies and processes already implemented in past years, spreading the culture of protecting the Bank's personal data as practically and effectively as possible.

FinecoBank's Data Protection Officer (DPO) prepared the "Report of the Data Protection Officer of FinecoBank S.p.A. - Year 2023", submitted to the Board of Directors on 12 March 2024, after examination by the Risks and Related Parties Committee at its meeting on 11 March 2024, and to the Board of Statutory Auditors, which illustrates, by macro-areas, the issues on which the DPO worked during the year including those for which he provided advice and support to all structures: (i) updating of internal regulation; (ii) requests to exercise the rights of data subjects; (iii) risk assessment and second level controls as per the catalogue; (iv) evaluation of incidents resulting in a data breach; (v) complaints: support to the relevant structures; (vi) requests for opinions in the field of privacy; (vii) assessment of circulars/processes; (viii) assessment of new products/services and projects from the point of view of the processing of personal data (privacy by design e by default).

During 2023, the DPO carried out these tasks reporting directly to FinecoBank's Compliance Officer and in full autonomy interacts, where necessary, with the Data Controller's Delegate for processing.

In order to fulfil the above, the DPO has been allocated resources in terms of people and applications to support it.

Overall, the checks carried out did not reveal any particular anomalies.

Periodically, and in any case at least annually, the DPO calls upon process owners by means of a 'certification campaign' to review the information qualifying the processes.

Through periodic Level II controls, the Compliance function verified the consistency of what was entered in the Record of Processing Activities - a tool provided for by the GDPR (Art. 30) - with respect to both actual operations and internal regulatory provisions (Guidelines for compiling the Record of Processing Activities).

In order to support process owners in the certification activities of the relevant processes, the function updated the document 'Guidelines for compiling the Record of Processing Activities' as well as assisted process owners (or their delegates) in using the tool for managing the Record. The new certification campaign will be launched in the first quarter of 2024 in order to benefit from updated and certified processes for the L. 262/2005 purposes.

The Bank has made available a special compulsory online training course entitled 'GDPR- Personal Data Breach' to the entire FinecoBank population. Utilisation rates, both by employees and financial advisors, stood at over 98% at the end of 2023.

This course was also made available to the subsidiary FAM where employee participation stood at 98% at the end of 2023.

Anti-Money Laundering

In order to ensure the independence of the Anti-Money Laundering Function, the unit reports directly to the bodies with strategic supervision, management and control functions and has access to all the Bank's activities as well as to any information relevant to the discharge of its duties.

The Unit is divided into teams:

- Governance and Controls for Anti-Money Laundering and Anti-Bribery[3];
- Anti-Money Laundering and Anti-Bribery Service;
- Reporting of Suspicious Transactions.

With reference to the Bank of Italy's on-site inspection in the AML area, which ended without sanctions, but with the need to take some corrective actions, the tasked Functions identified a series of remedial actions aimed at effectively responding to the main areas of improvement identified with highest priority in terms of relevance, as represented and discussed in the Risks and Related Parties Committee meetings of 14 April 2023, 26 April 2023 and 5 May 2023. For this purpose, a special AML Action Plan was prepared and approved by the Board of Directors.

The Board of Directors, at the proposal of the Board of Auditors, has provided for the Internal Audit function to carry out audits on the activities of the AML Action Plan, starting with those completed and/or to be completed in time for the function to complete its first audit by the end of the year.

The Board of Statutory Auditors monitored, on an ongoing basis, the execution of the Plan and the observance of the execution timetable.

With reference to the Anti-Money Laundering and Anti-Bribery function, in order to better represent the autonomy and independence of the Anti-Money Laundering function with respect to the Compliance function from an organisational point of view, on 14 December 2023, the Board of Directors approved the organisational change of the Anti-Money Laundering and Anti-Bribery function, following the favourable opinion of the Risks and Related Parties Committee of 11 December 2023.

The organisational change will be effective as of 1 April 2024 and provides in particular for the transfer of the Anti-Money Laundering and Anti-Bribery Unit reporting directly to the Chief Executive Officer and General Manager, its reclassification as a Department and its renaming as the Anti-Money Laundering and Anti-Bribery Department.

Consequently, the right staffing has been adjusted to 20 employees. The number of employees of the AML Function at 31.12.2023 totalled 17 (+1 FTE compared to the previous period).

[3] New Unit of the Anti-Money Laundering and Counter-Terrorism Function established as a result of the re-organisation on 30 June 2023

The Annual Report at 31 December 2023, including the self-assessment, is currently being prepared, while the information report for the fourth quarter of 2023 was submitted to the Board of Directors on 12 March 2024.

The information reports on the company's anti-money laundering and terrorism controls, submitted to the Board of Directors after having been examined by the Risks and Related Parties Committee, following a request by the Board of Statutory Auditors promptly accepted by the function, are quarterly as from the second half of 2023 and illustrate the trend management of the risk of money laundering and terrorism financing; they also certify that all second level controls planned in each half-year period have been carried out.

The Anti-Money Laundering and Anti-Bribery Plan 2024, prepared by the Anti-Money Laundering and Anti-Bribery Function, contains the annual plan of activities for the year 2024. This plan, which in previous years was included in the Compliance Plan of the Compliance Department, was presented in a separate document to the Board of Directors which approved it on 12 March 2024.

Complaints

The Board of Statutory Auditors has acknowledged the "Report of the Complaints and Litigation Unit on the overall FinecoBank S.p.A.'s Complaints and Litigation situation for the period 1 January - 31 December 2023" prepared by the Complaints and Litigation Unit in accordance with the *Global Policy "*Complaints Management" and the Processes "*Complaints* Management" and "*Management and assessment of lawsuits brought by and against the bank"* in force.

The Report describes the activity carried out in 2023 and provides, in aggregate form, information on complaints and litigation and associated quantitative analyses.

This information - also following a specific communication from the Unit - is continuously analysed by the relevant functions to identify any recurrent issues and take the necessary remedial actions.

The assessments of the main critical issues identified and the adequacy of the procedures and organisational solutions identified are carried out by the *Compliance* function.

During 2023, complaints received by FinecoBank slightly increased (by about 0.94%) compared to complaints received in 2022.

The main area of dispute relates to the category "Current Accounts and Collection and Payment Transactions," followed by that relating to the "Other" category, with regard to which there was a considerable increase compared to 2022 due to the many complaints received concerning the assignment of tax credits under the "*superbonus*" (a tax relief governed by Article 119 of Decree-Law No. 34/2020 "Relaunch Decree" re-proposed in the 2022 Budget Law).

Next comes the category 'Investment Services and Accessories,' with a negligible increase over 2022. Finally, there were complaints about 'Loans and Mortgages,' where there was a decrease of 20.07% compared to 2022.

Outlays in terms of value have almost doubled compared to those recorded in 2022. This increase was mainly due to compliance with some decisions issued by the ACF against the Bank and the conclusion of some settlement agreements with customers, the most significant of which related to the provision of investment services.

Of the complaints handled during the period, 99.82% were closed within the set time limit.

On the basis of the analysis and controls carried out by the Board of Statutory Auditors, the complaints received did not reveal significant shortcomings in the internal procedures and organisation of the Company. The focus remains on the workload for an adequate update of the right sizing.

Whistleblowing

In compliance with the Supervisory Provisions of the Bank of Italy (Circular No. 285/2013 and subsequent updates) and with Law No. 179/2017, which introduces new provisions to protect those who report crimes or irregularities of which they have become aware in the context of a public or private employment relationship, the FinecoBank S.p.A. Group has defined, and governs with internal regulations (Global Compliance Policy - Whistleblowing, approved by the Board of Directors on 25 February 2020), a process aimed at allowing Personnel and Third Parties to report acts or facts that may constitute a breach of the rules governing banking activities, making reporting channels available and undertaking to maintain the confidentiality of the personal data of the Whistleblower and the Reported party.

The Compliance function prepared the "2023 Report on the internal system for reporting breaches (so-called Whistleblowing)," presented to the Board of Directors on 12 March 2024, after examination by the Risks and Related Parties Committee, and submittal to the Board of Statutory Auditors.

On 26 November 2019, Directive 2019/1937 of the European Parliament and of the Council on 'the protection of persons who report breaches of Union law' was published in the Official Journal of the European Union. The aim of the measure is to strengthen the enforcement of EU law and policies in the 'whistleblowing' area by laying down common standards to ensure a high level of protection for persons who report breaches of EU law. This Directive was transposed in Italy by Legislative Decree 24/2023.

Fineco has adopted its own Group Policy for Whistleblowing, approved by the Bank's Board of Directors on 11 July 2023, an internal process (Circular no. 157 of 13 October 2023) and an Organisational Model pursuant to Legislative Decree no. 231/01 updated in accordance with Legislative Decree 24/2023.

To ensure effective knowledge of whistleblowing, of the regulatory changes introduced by Legislative Decree 24/2023 and of the procedure for filing reports, compulsory training activities are planned for Bank staff and the sales network:

- specific references on the topic in the Anti-Bribery course, delivered in e-learning mode, addressed to all Bank staff and the sales network;
- an information circular with mandatory acknowledgement published on the company's corporate and promoter extranet, containing the Whistleblowing Policy.

In 2023, two Whistleblowing reports were received by FinecoBank (8 in 2022; -75%), that were closed during the course of the year, with the outcomes communicated to the whistleblowers.

Supervisory Board

FinecoBank avails itself of a body specifically set up to carry out the functions of the Supervisory Board pursuant to Legislative Decree No. 231/2001. The current Supervisory Board (SB), which consists of three members, two external and one internal to the Bank, i.e. the Head of Internal Audit, will remain in office until the approval of the Financial Statements at 31/12/2025.

In 2023, the Board of Statutory Auditors met with the Supervisory Board for a mutual exchange of views on the activities carried out by both bodies.

In particular, at the meeting of 20 November 2023, the Board received: (i) an illustration of the state of updating of the 231 Model and the Decision Protocols; (ii) an account of the main issues followed during the year, with particular focus on the Bank's discussions with Supervisory Authorities; (iii) confirmation of the performance of the activities planned for 2023 and, in turn, informed about the main issues of the control activity performed.

An exchange of information between the bodies has thus developed, agreeing in particular on the advisability of regular meetings for alignment and discussion on the most relevant issues and points of common interest, while respecting the roles and tasks of each body.

The Board of Statutory Auditors also examined the "Information Report on the activity performed by the Supervisory Board (SB) pursuant to Italian Legislative Decree no. 231 of 08 June 2001, as at 31 December 2023," which details activities in 2023. The Report was submitted to the Board of Directors on 12 March 2024.

No breaches of the relevant legislation were found as a result of the activities carried out by the SB.

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The Board of Directors, called upon to assess, after consulting the Risks and Related Parties Committee, the adequacy, functionality and effectiveness of the company's internal controls system, at its meeting on 12 March 2024, examined, among other things, the integrated Dashboard of the control functions year 2023, also forwarded to the Risks and Related Parties Committee and to the Board of Statutory Auditors, document which highlights the main shortcomings detected by the Control Functions (Internal Audit, Risk Management, Compliance, Anti-Money Laundering and Anti-Terrorism, Data Protection Officer and Financial Reporting Officer pursuant to Law No. 262/2005) with an indication of the risks, impacts, recommendations and corrective measures; the document includes the contribution of the Chief Executive Officer and General Manager, in his/her capacity as the Body with Management Function, called upon to identify any further initiatives and actions necessary to ensure the ongoing completeness, adequacy, functionality and reliability of the internal controls system, as well as a brief section on the shortcomings identified by the similar control functions of the subsidiary Fineco Asset Management DAC.

The document was prepared in implementation of the provisions of Global Policy FB 016_2023 Group ICS Evaluation, as well as the Regulation of the Control Functions ('FC') Coordination Committee.

The Dashboard is therefore one of the elements supporting the activity of assessing the adequacy and effectiveness of the Internal Controls System, together with the other contributions brought to the attention of the Body with Strategic Supervision Function by the various players in the Internal Control System.

The Board of Statutory Auditors examined the integrated Dashboard, appreciating it as an information and guidance tool for a concrete and careful monitoring of the development of the organisational structure, the capacity of the control functions and their independence.

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On the basis of the documentation examined, of the information received and of the checks carried out during its supervisory activity, the Board of Statutory Auditors, while recalling the existence of some corrective interventions and implementations underway also in terms of strengthening resources for adequate monitoring in relation to the increase in duties also following the move under the ECB, considers the Internal Control System to be adequate overall.

10. Supervisory activity on the adequacy of the organizational structure

The Board of Statutory Auditors continuously monitors the adequacy of the organisational structure and its proper functioning by holding regular meetings with top management and the heads of the various areas and functions; Such monitoring activity did not discover any significant organisational deficiencies.

At the beginning of the year, in order to clearly show the presence and position of the Resolution Unit in the Bank's organisation chart pursuant to the Single Resolution Board Expectations for Banks, the Board of Directors' meeting of 23 January 2023 had resolved on the renaming of the Regulatory

Affairs structure to Regulatory Affairs & Resolution Unit and the creation of the new Resolution Management team, which reports directly to it.

During 2023, various organizational changes occurred which are referred to from time to time, by way of example, in this Report in the context of the discussion of the specific function.

Furthermore, the Board of Directors in November 2023 resolved: within the Network PFA and Private Banking Department, the reorganization of the structure dedicated to territorial coverage and support for the FinecoBank Sales Network; within the Global Business Department, the reorganization of the marketing structure dedicated to the planning and design of services dedicated to customers; within the Chief Financial Officer Department, the transfer of the Capital Management structure as direct report to the Accounting and Regulatory Reporting Department.

The Board of Statutory Auditors recalls the further organisational changes approved by the Board of Directors on 14 December 2023, effective 1 April 2024, which provide for:

- the transfer of the Anti-Money Laundering and Anti-Bribery Unit reporting directly to the Chief Executive Officer and General Manager, and its renaming as the Anti-Money Laundering and Anti-Bribery Department;
- the creation of the Anti-Money Laundering and Anti-Bribery Function Competence Line with the simultaneous update of the GP Group Managerial Golden Rules;
- the establishment, as part of the Compliance Department, of the new Compliance Oversight technical structure with staff of the Compliance Department, to which the activities of supporting the Compliance Officer in coordinating the oversight activities of the Compliance function at the Group's Legal Entities are assigned.

On 14 December 2023, the Board of Directors approved, effective 1 January 2024, the creation within the Products & Services Division of a new Innovation Hub team, reporting to the Global Brokerage unit, dedicated to the topics of Artificial Intelligence and Blockchain.

The Board of Auditors particularly welcomed the creation of a separate Anti-Money Laundering and Anti-Bribery Department, which follows the wishes of authorities and further strengthens the autonomy of the function.

* * *

On the basis of the documentation examined and the information received in the course of supervisory activities, in the presence of an Organisation Chart and related Company Regulations detailing the roles and responsibilities of the organisational structures in continuous evolution, and the definition, application and monitoring of precise company regulations aimed at the performance of the activities of each FinecoBank function, as well as the implementations adopted or in the process of being adopted, the Board of Statutory Auditors considers the Bank's organisational structure to be adequate as a whole.

11. Supervisory activity on the adequacy of the instructions given to subsidiaries

FinecoBank, registered as the “Parent Company” of the “FinecoBank Banking Group” in the Register of banking groups (together with the subsidiary Fineco AM) exercises management and coordination activities over the Group in accordance with current legislation.

With regard to the subsidiary Fineco AM, from the analysis of the information requested by the Board of Statutory Auditors from the CEO pursuant to Art. 151, paragraph 2, of the TUF and the audit results, no critical issues emerged.

12. Business continuity plan (BCP)

In application of the Supervisory Provisions (Bank of Italy Circular No. 285 of 17 December 2013, as amended and updated) and the current Global Policies on Business Continuity and Emergency and Crisis Management FinecoBank S.p.A. has adopted a Business Continuity Plan (hereinafter also the "BC Plan" or "BCP"), as a predefined measure for the management of certain emergency scenarios with an impact on business continuity, both under ordinary business and in emergency situations.

The Bank's *Business Continuity* and *Crisis Management* framework includes: (i) the Emergency and Crisis Management Plan (ECM Plan), (ii) the Business Continuity Plan (BCP) - of which the Disaster Recovery Plan (DRP, which establishes measures for the recovery of applications and information systems affected by a 'disaster') and the Cyber Attack Plan (which sets out strategies for the management of large-scale cyber attacks) are an integral part - as well as (iii) the Pandemic Management Plan (which incorporates the experience gained during the health emergency caused by the COVID-19 pandemic).

In the course of 2023, the emergency and crisis management guidelines were duly updated, in alignment with external reference regulations, as well as the plans concerned, in order to incorporate them and business developments, as part of the annual update. The Bank maintained remote working as the main emergency management measure under the BC Plan. These BC&CM plans are subject to the usual annual audits by the competent structures.

In line with the Group's governance guidelines and the evolution of the business, the Irish subsidiary Fineco Asset Management DAC has its own ECM, BC and DR plans; measures include remote working as a contingency solution in their business continuity plan.

With the aim of verifying the proper functioning, effectiveness and efficiency of the remedial strategies set out in the aforementioned Plans, in line with regulations, in 2023 Fineco carried out annual audits on the Process Perimeter in force. The BC tests, the DR tests, the backup recovery tests, the power tests and all their results, which were positive overall, were presented to the Board of Directors on 6 February 2024.

All tests were successful, with no impact on business activities and no perceptible degradation or disruption.

As a matter of practice, at its meeting on 31 January 2024, the Body with Management Function (OFG, a role held by the CEO and General Manager), supported by the Business Continuity & Crisis Management Committee (BC&CM Committee) verified the outcome of the power, BC, DR and backup recovery tests conducted during 2023.

The Board of Statutory Auditors acknowledges the continuous supervision, in line with the current Provisions referred to in the Circular of the Bank of Italy No. 285 and with internal regulations, the Bank's Business Continuity Plan and the successful execution of the Business Continuity and Disaster Recovery tests planned annually.

13. Remuneration policies

During 2023, in accordance with the provisions of the Supervisory Authorities on "Remuneration and incentive policies and practices", the Board of Statutory Auditors verified the adequacy and compliance with the regulatory framework of the remuneration policies and practices adopted and the related business processes, issuing, where necessary, their favourable opinions to the Board of Directors.

The Bank implemented the 2023 Remuneration Policy approved by the Shareholders' Meeting on 27 April 2023.

The Group is committed to fostering the well-being and satisfaction of its employees, including through specific welfare and wellbeing initiatives, and to creating an inclusive work environment in which diversity and equal opportunities are valued, with a fair work-life balance. As a demonstration of the commitment to Diversity and Inclusion issues, in 2023 the Certification for Gender Equality was achieved according to the reference practice UNI 125:2022.

Furthermore, during 2023, the Remuneration Committee worked with management to define the 2024-2026 Long-Term Incentive Plan in line with the Group's strategic guidelines and, in general, with the evolution of the context in which Fineco operates, with the aim of strengthening alignment with the interests of all stakeholders.

The 2024 Remuneration Policy, prepared in alignment with the guidelines of investors and proxy advisors and the regulatory framework of reference, confirms the close correlation with the Group's Multi-Year Plan and the ESG Multi-Year Plan for the three-year period 2024-2026, with the aim of incentivising business growth and financial solidity and, at the same time, combining economic and financial objectives with social and environmental sustainability.

In particular, objectives related to sustainability understood as the ability to generate and maintain value for all stakeholders in the medium to long term are taken into account, aligning remuneration policies with the principles set out in the Group's ESG 2024-2026 Multi-Year Plan.

On 12 March 2024, the Board of Directors of FinecoBank, taking into account the favourable opinion of the Remuneration Committee, approved the "Report on the remuneration policy and remuneration paid" by FinecoBank, formulated by the Human Resources function with the contribution, for the parts within their remit, of the *Compliance*, CRO, CFO and Network Controls, Monitoring and Network Services functions, which summarises the elements of the remuneration approach adopted for 2024 and the main results for 2023, highlighting the data on the variable and fixed remuneration of the Chief Executive Officer and General Manager. It also takes into account the EBA Guidelines on sound remuneration policies, ESMA Guidelines on certain aspects of MiFID II remuneration requirements (ESMA35-43-3565), and ESMA Guidelines on product governance requirements under MiFID II.

As required by EU Directive No. 2017/828, the document consists of two separate sections: Section I "Report on the 2024 remuneration policy" and Section II "Annual report on the remuneration paid in 2023".

Pursuant to Article 123-ter of Legislative Decree no. 58/1998, "Section I - Report on the 2024 remuneration policy" is subject to the binding resolution of the Shareholders' Meeting, while the shareholders are required to express a non-binding advisory vote on "Section II - Annual report on the remuneration paid in 2023".

The 2024 Remuneration Policy, including the "Annual Report on the remuneration paid in 2023" with the attached "market disclosure pursuant to art. 450 of Regulation (EU) no. 575/2013 and Implementing Regulation (EU) no. 637/2021" and the "Remuneration plans based on financial instruments", is made available to the public pursuant to Consob Regulation No. 11971/1999. The Report simultaneously fulfils the disclosure obligations pursuant to articles 114-bis and 123-ter of the TUF and the obligations established by banking legislation.

The Internal Audit Department examined the remuneration and incentive system adopted by FinecoBank ("Bank") and the Group for the determination and disbursement of remuneration to members of the Corporate Bodies and variable remuneration to employees and the sales network, in order to ascertain its compliance with the supervisory regulations issued by the Bank of Italy and the Remuneration Policy set out for 2023 and approved by the Shareholders' Meeting.

The overall assessment is Mostly Satisfactory, considering the generally correct application of the Remuneration and Incentive System 2023 and the compliance of the Remuneration Policy 2024 with the relevant external regulations. The audits carried out ascertained in the area of governance the correct fulfilment of the obligations provided for by the reference regulations, the general compliance of the remuneration policies with the current regulatory framework and their sustainability with respect to the Bank's capital and income conditions, the dissemination of the Group's policies to the subsidiary Fineco Asset Management DAC and the correct functioning of the bodies in charge, including the Remuneration Committee and the Board of Directors; the framework of the internal regulations was also found to be generally adequate.

Furthermore, the process of identifying key personnel (Identified Staff), both employees and Personal Financial Advisors, was found to be compliant overall with external regulations.

The Corporate Control Functions, in particular Compliance and CRO, were involved, for their respective responsibilities, in the definition of the remuneration policy as well as in the annual performance evaluation process. In addition, the Compliance function carried out the controls provided for in Bank of Italy Circular No. 285/2013 intended to verify the prohibition of activating programmes or agreements that specifically protect the value of unavailable financial instruments allocated under incentive plans (personal hedging).

The results of the *audit* will be presented at the next Shareholders' Meeting in the framework of the Annual Report of remuneration paid in the year 2023.

The Bank fulfilled the regulatory obligations relating to the publication on the corporate website of the documents “2023 Remuneration Policy" and “Severance Pay Policy" and the reports required by the Bank of Italy in the area of remuneration.

14. Opinions issued in accordance with the law

The Board of Statutory Auditors expresses its observations with regard to: Internal Audit Report on investment services; Annual report on the Group's risk exposures; Annual report by the Internal Audit Function on the controls carried out on important operational or outsourced control functions, any deficiencies found and the consequent corrective actions taken; Annual report on the activities of the Compliance function.

In addition, it also expressed its opinion on the Action Plan of the internal audit function for 2023, in view of the resolutions to be taken by the Board of Directors, as required by the Code for Listed Companies in force in the financial year 2022 - Article 6, recommendation 33, letter C) of the *Corporate Governance* Code.

15. Observations on compliance with the principles of correct administration

The Board monitored compliance with the law and the Articles of Association and compliance with the principles of correct administration both in carrying out its activities, including participation in the meetings of the Board of Directors and the Board Committees, and during meetings with management and with the Heads of the various Areas and Functions of the Bank.

Participation in the meetings of the Board of Directors made it possible to periodically obtain information from the Directors on the activities carried out and on the transactions approved during the year.

Participating in the Board of Directors' Meetings enabled the Board of Statutory Auditors to ascertain, inter alia, that the delegated parties reported on transactions executed based on the powers granted to them, pursuant to art. 150, paragraph 1, of the TUF.

The frequency of the meetings of the Board of Directors, the information provided during the meetings and, in general, the set of information flows, put in place, are in our opinion exhaustive with respect to the obligations of law, the Articles of Association and the applicable regulations.

The Board of Statutory Auditors verified compliance with information obligations for regulated and privileged information, or information requested by the Supervisory Body.

During the meetings of the Risks and Related Parties Committee and the Board of Directors, the Statutory Auditors examined the quarterly reports of the Bank's control functions and the reports of the Nominated Officer, and ascertained that the reports and information required by supervisory regulations were respected.

The members of the Board of Directors regularly participated in the 2023 induction programme, with the presence of the entire Board of Statutory Auditors, carried out in some cases with the support of external consultants, including recurring training sessions in order to preserve over time the wealth of technical skills necessary to perform their role in an informed manner.

On 12 March 2024, the FinecoBank Board of Directors approved, with reference to 2023, the Report on corporate governance and ownership structures pursuant to Art. 123-bis of the TUF.

FinecoBank has adopted a process for defining the succession plan, last updated by the Board of Directors on 12 March 2024, following the favourable opinion of the Appointments Committee on 07 March 2024, in line with the relevant regulatory provisions.

On the basis of the information acquired, the Board of Statutory Auditors did not become aware of any transactions in conflict with the principles of correct administration or approved and implemented not in compliance with the law, the Articles of Association, or in conflict with the resolutions passed by the Shareholders' Meeting, or manifestly imprudent or risky or such as to compromise the integrity of the corporate assets.

16. Company's adoption of the Corporate Governance Code for listed companies

FinecoBank subscribes to the Corporate Governance Code for listed companies ("Code") and, in compliance with the Code, the Corporate Governance and Environmental and Social Sustainability Committee, the Appointments Committee, the Remuneration Committee and the Risks and Related Parties Committee operate within the Board of Directors, with proposal, advisory and coordination functions. The Committees consist of independent non-executive Directors.

In December 2023, the Chair of the Corporate Governance Committee (the “Committee”) sent a letter to the Chairmen of the administrative bodies of the issuing companies in order to follow up on the practice of providing evidence of the monitoring of the state of application of the Corporate Governance Code, encouraging their increasingly conscious application by the issuers adhering to it and, more generally, to promote the evolution of corporate governance by all Italian listed companies according to the principles of the Code.

The contents of the aforementioned letter of Mr. Massimo Tononi, Chairman of the Italian Corporate Governance Committee (promoted by ABI, Ania, Assogestioni, Assonime, Borsa Italiana and Confindustria), as well as the related annex "2023 Report on the evolution of corporate governance of listed companies" (the "Report"), provide indications on the process for adhering to the new Code and therefore constitute an important parameter for the assessment of the relative degree of adherence by FinecoBank.

As called for in the Letter, the recommendations contained therein have been appropriately brought to the attention of the Board of Directors and the relevant committees in order to identify, also in the context of self-assessment, possible developments in governance or to fill any gaps in the application or explanations provided. The content of the Letter was submitted, to the extent applicable, to the attention of the issuers' supervisory bodies.

At its meeting of 12 March 2024, following the disclosures made, the Board of Directors of FinecoBank approved the assessments made on the Recommendations formulated in the Letter and on the degree of adherence to it, as previously illustrated and discussed in the relevant Board Committees and the Board of Statutory Auditors. The Board of Statutory Auditors found that the corporate governance rules set out in the aforementioned Corporate Governance Code had been consistently implemented.

The Board of Directors was appointed by the Ordinary Shareholders' Meeting of FinecoBank on 27 April 2023 and will remain in office until the next Shareholders' Meeting, held to approve the Financial Statements at 31 December 2025.

It should be noted that in accordance with current legislation and the Corporate Governance Code for listed companies the Board of Directors, after consulting the Appointments Committee, carried out the annual verification of the existence of the independence requirement for the majority of Directors, reporting the results in the Report on corporate governance and ownership structures for the reporting period 1/1/2023 - 31/12/2023, in addition to maintaining the suitability requirements and compliance with the prohibition on interlocking. The Board of Statutory Auditors verifies the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members.

17. Other activities of the Board of Statutory Auditors and disclosures required by CONSOB

17.1 Complaints pursuant to Art. 2408 of the Italian Civil Code

During 2023, the Board of Statutory Auditors received no complaints pursuant to Article 2408 of the Civil Code.

17.2 Details of any initiatives undertaken and related outcomes

During the year, the Board of Statutory Auditors received no complaints.

18. Significant events after the end of the Financial Year

On 4 March 2024, FinecoBank successfully completed the placement of an issue on the market of Additional Tier 1 instruments aimed at institutional investors, for a total amount of € 500 million and a semi-annual coupon for the first 5.5 years equal to 7.5% (with a spread equal to 5.5 years Mid Swap rate interpolated + 488.9 basis points) compared to an initial guidance of 8%.

The transaction's final spread is the lowest in the Italian landscape for this type of instrument since early 2023, thanks to an overall demand of around seven times supply and credit quality. The issue registered an order volume of more than € 3.45 billion, confirming the market's appreciation of FinecoBank also in the fixed-income segment.

At the same time, FinecoBank announced its intention to proceed with an offer to repurchase the outstanding Additional Tier 1 5.875% Perp NC 3 December 2024 bond issued for a nominal amount of € 300 million and to reserve the right to call, at the earliest available date, the outstanding € 200 million Additional Tier 1 private placement, thereby keeping the total amount of Additional Tier 1 instruments eligible for inclusion in its capital unchanged at € 500 million. FinecoBank mandated BNP Paribas and UniCredit, as dealer managers, for the € 300 million Additional Tier 1 fixed-price 'any & all' repurchase transaction.

On 11 March 2024, the offer to purchase the aforementioned Additional Tier 1 bond was concluded. The total nominal amount of the Bonds validly tendered in the offer was € 168 million. In addition, FinecoBank has received the authorisation from the European Central Bank to call the residual amount of bonds not repurchased in the offer on the first available date, 3 December 2024.

With regard to the outlook for operations, the directors indicate that, as a prospective scenario, that despite a context of margin pressure, general uncertainty arising from the military conflict between Russia and Ukraine, and high inflation, the Group will continue to pursue its strategy based mainly on organic, capital light and low-risk growth. Considering the typical risks of the sector to which it belongs, Fineco expects a positive performance in 2024, barring the occurrence of further events of an exceptional nature or dependent on variables substantially beyond the control of the Directors and Management.

Given the exceptionally high level of uncertainty, given the underlying projections of the macroeconomic scenario for 2024, the Board of Statutory Auditors will adequately monitor the evolution of the situation and its impact on Fineco's assets and on the outlook.

19. Concluding remarks and considerations

In its supervisory activity, the Board of Statutory Auditors did not find significant irregularities or omissions and/or facts worthy of censure, nor did it become aware of transactions not compliant with the principles of proper administration, resolved and implemented not in compliance with the law or company Articles of Association, not in the interests of FinecoBank, in conflict with the resolutions taken by the Shareholders' Meeting, or manifestly imprudent or risky, such as to compromise the integrity of the company's assets.

Adequate information exchanges also took place with regard to the investee Fineco Asset Management DAC.

19.1 Going concern declaration

Recalling what was stated in the Financial Statements as at 31.12.2023, in evaluating the significant items in the financial statements, the directors indicate that they have considered all relevant elements.

The Board of Directors believes that there are no doubts about the Group's ability to continue as a going concern in the foreseeable future, nor uncertainties that would give rise to significant adjustments to carrying amounts within the next reporting period. However, it cannot be ruled out that, due to their nature, those reasonable assumptions may not be confirmed in the Group’s actual future scenarios. In performing this assessment, the Board of Directors states to have considered key regulatory indicators were also considered, in terms of period-end figures at 31 December 2023, the related buffers with respect to minimum regulatory requirements and their evolution in the foreseeable future.

At consolidated level, the Parent Company has issued guidelines on emergency and crisis management and business continuity management, which provide for a decentralised model of emergency management, based on the plans of individual companies according to the peculiarities of each.

The Directors have considered these circumstances and are reasonably confident that the Group will continue to operate profitably in the foreseeable future and, accordingly, in accordance with IAS 1, the consolidated financial statements for the period ended 31 December 2023 have been prepared on a going concern basis.

19.2 Considerations regarding the Consolidated Financial Statements

With regard to the Group's Consolidated Financial Statements, the Board of Statutory Auditors, having considered the content of the report issued by the Independent Auditors, acknowledges that they have been drawn up in compliance with the provisions issued in implementation of Article 9 of Legislative Decree 38/05 and Article 43 of Legislative Decree 136/15 and with the standards of the International Financial Reporting Standards endorsed by the European Union.

The Consolidated financial statements have also been prepared on the basis of the “Instructions for the preparation of the financial statements of companies and the consolidated financial statements of banks and financial companies of banking groups" issued by the Bank of Italy, as well as the supplementary provisions to Circular 262/2005.

The scope of consolidation, which did not change from the previous year, includes FinecoBank and Fineco AM as the only company directly controlled by it.

For the line-by-line consolidation the following documents were used:

- the draft accounts at December 31, 2023 of FinecoBank S.p.A.;
- the draft accounts at December 31, 2023 of Fineco Asset Management DAC ("Fineco AM"), which is consolidated on a line-by-line basis and is a wholly-owned subsidiary; said accounts are prepared in accordance with IAS/IFRS and items have been appropriately reclassified and adjusted to meet consolidation requirements.

The consolidated report on operations also provides information on the performance of the subsidiary.

19.3 Observations regarding the FinecoBank's financial statements at 31/12/2023 and their approval as well as the allocation of profit

The FinecoBank's Financial Statements include:

- the Financial Statement Schedules of FinecoBank S.p.A., consisting of the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity and Statement of Cash Flows, shown in comparison with the corresponding statements for the 2022 reporting period,
- Notes to the consolidated financial statements

and is accompanied by the certification of the financial statements pursuant to Article 81-ter of Consob Regulation No. 11971 of 14 May 1999 as amended and supplemented. For the Directors' Report on the Financial Statements of FinecoBank S.p.A., please refer to the Consolidated Directors' Report, in which the reclassified financial statements and comments on the Bank's results for the year are provided in a specific section.

The Shareholders' Meeting will be invited to approve:

- the Financial Statements for the reporting period 2023 of FinecoBank S.p.A;
- the allocation of the profit for the period 2023 in the amount of € 604,497,541.49 that the administrators will propose as follows:
  - € 421,589,604.63 to Shareholders, corresponding to a dividend of € 0.69 for each of the 610,999,427 ordinary shares with a par value of € 0.33 euro, constituting the share capital including the 367,792 shares relating to the capital increase to finance the employee incentive scheme approved by the Board of Directors on 6 February 2024;
  - € 24,274.27 to the Legal reserve, corresponding to 0.004% of the profit for the period, having reached the limit of one-fifth of the share capital;
  - € 30,478,590.00 to the non-distributable reserve pursuant to Article 26, paragraph 5-bis of Decree-Law No. 104 of 10 August 2023, corresponding to the amount of the extraordinary tax determined pursuant to the aforementioned decree;
  - € 460,656.46 to the Unavailable Reserve pursuant to Article 6, paragraph 2, of Legislative Decree 38/2005;
  - € 151,944,416.13 to the Extraordinary Reserve.

Having acknowledged the content and conclusions of the Report issued by the Statutory Auditor, and having also acknowledged the certifications issued jointly by the Chief Executive Officer and General Manager and by the Financial Reporting Officer, the Board of Statutory Auditors does not find, to the extent of its competence, any elements preventing the approval of the Company's Financial Statements for the period ended 31 December 2023, which showed a profit of € 604,497,541.49, as well as its allocation as proposed by the Board of Directors.

There were no conditions for the Board of Statutory Auditors to exercise the faculty to make proposals to the Shareholders' Meeting pursuant to Art. 153, paragraph 2 of the TUF.

* * *

Milan, 19/03/2024

The Board of Statutory Auditors of FinecoBank S.p.A

Luisa Marina Pasotti (Chairman)

Massimo Gatto (Standing Auditor)

Giacomo Ramenghi (Standing Auditor)

Glossary

ABS – Asset Backed Securities

Financial instruments whose performance and redemption are guaranteed by a portfolio of assets (collateral) of the issuer (usually a Special Purpose Vehicle - SPV), earmarked exclusively for the satisfaction of the rights embedded in the financial instruments.

Additional Tier 1

Equity instruments in line with the provisions of Regulation (EU) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms, which have the following characteristics:

- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding;
- the instrument is perpetual or has a maturity equal to duration of the entity;
- it maintains within the full discretion of the issuer the possibility to perform a write-up of the nominal value after the occurrence of a capital event that has determined a write-down;
- no provisions that force the issuer to provide for payments (must-pay clauses) following genuine events under the direct control of the parties.

Audit

Audit Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).

Bad exposure or Bad loans

Exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether there are any – secured or personal – guarantees covering the exposures).

Banking book

Used in relation to financial instruments, particularly securities, this term identifies the portion of those portfolios intended for "proprietary" activities, other than those classified in the Trading book

Bail-in

Resolution measures adopted by the competent authorities that can involve the conversion of debt instruments into shares or the reduction in the value of liabilities, imposing losses on certain categories of creditors in accordance with the BRRD.

Basel 2

International agreement on the capital requirements of banks in relation to the risks assumed by them. This agreement has been adopted, at national level, by the respective competent supervisory authorities, including, with reference to the Italian Republic, the Bank of Italy. The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.

- Pillar 1: while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorisation by the Regulatory Authority;
- Pillar 2: requires banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar I), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Supervisory Authority's task to examine the ICAAP process, formulate an overall judgement and, where necessary, apply the appropriate corrective measures;
- Pillar 3: introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

Basel 3

International agreement amending Basel 2 adopted in December 2010, containing amendments to the prudential rules on the capital and liquidity of banks, with the gradual entry into force of the new capital requirements from January 1st. These rules have been implemented at European level through the CRD IV "Package".

Bank Recovery and Resolution Directive or BRRD

Refers to the Directive approved by the European Parliament and the Council, respectively. On April 15th and May 6th, 2014, regarding the establishment of a recovery and resolution framework for the crisis affecting credit institutions and investment firms.

Glossary

Basis point

The b.p. or basis point represents 0.01% of a particular amount, or one hundredth of a percentage point. 100 basis points are equivalent to 1%.

Best practice

Behaviour commensurate with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

Budget

Statement forecasting the future costs and revenues of a business.

Capital conservation buffer

According to the definition contained in Article 128 of the CRD IV, this is a capital reserve whose establishment is required by the regulations – as also specified in the Supervisory Provisions – aimed at providing banks of a high quality capital buffer to be used in periods of market strain to prevent malfunctions of the banking system and avoid disruptions in the credit granting process, amounting to 2.5% of risk-weighted assets, calculated in accordance with Article 92, sub-section 3, of the CRR on an individual and consolidated basis.

CDS – Credit Default Swap

A derivative contract in which a seller of protection engages, for a fee, to pay the buyer of protection a fixed amount if a certain event indicating a deterioration of the creditworthiness of a reference entity occurs.

CFD (*Contract For Difference*)

Derivative financial instruments whose value is directly linked to that of the underlying asset (securities, indexes, currencies, bond futures, volatility index futures and commodity futures) and therefore follows its trend. In particular, the CFD provides for the payment of the price differential recorded between the moment the contract is opened and the moment it is closed.

CFO

Chief Financial Officer.

CGU – Cash Generating Unit

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

CIO

Chief Information Officer.

Common Equity Tier 1 or CET 1

The Common Equity Tier 1 under Basel 3, mainly consisting of ordinary paid-up capital, the related share premium, operating profit, reserves and other regulatory adjustments, as provided for by the CRR regulation and the Supervisory Regulations.

Clawback clause

Action of repayment of the bonus received when, after its disbursement, intentional or negligent conduct of the employee emerges that, if it had been known at the time of disbursement, would have been sufficient not to satisfy the assessment of compliance, or that disbursement has been made in breach of legal or regulatory provisions.

CLO

Chief Lending Officer.

Commercial Loans

Loans and receivables from ordinary customers, i.e., loans granted to customers relating to drawdowns of overdraft facilities, credit cards, personal loans, mortgages and unsecured loans

Corporate

Customer segment consisting of medium to large businesses.

Glossary

Countercyclical capital buffer

The countercyclical capital buffer consisting of Common Equity Tier 1 pursuant to Supervisory Regulations, according to the concept contained in Articles 128 and 130 of the CRD IV, equal to the risk weighted assets, calculated in accordance with Article 92, paragraph 3, of the CRR by the Company's countercyclical capital buffer, determined according to the criteria established by the Supervisory Regulations at an amount ranging from 0% to 2.5%.

Covenant

A loan agreement clause whereby the lender is entitled to restructure or call in the loan upon occurrence of the events specified in the clause, which ties changes in the borrower's earnings and financial performance to default events/events modifying the contractual terms and conditions (maturity, interest rates, etc.).

Covered bond

Guarantee Bank Bond which, in addition to being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, for that purpose, to a specific SPV – Special Purpose Vehicle (q.v.).

Credit quality class

A Step, based on external ratings, which is used to assign risk weights under the standardised approach for credit risk.

CRD (Capital Requirements Directives)

EU Directives 2006/48 and 2006/49, adopted by Bank of Italy circular 263/2006 of December 27th, 2006 as amended. The CRD IV "Package" has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, adopted by the Bank of Italy circular 285 of December 17th, 2013 as amended. CRD V is Directive (EU) 2019/878 of May 20th, 2019 amending Directive 2013/36/EU.

Credit risk

The risk that an unexpected change in the credit rating of a counterparty, the value of the collateral they have provided, or of the amount used in the event of insolvency generates an unexpected change in the lending position of the Bank.

Credit counterparty risk

The risk that the counterparty in a transaction in financial instruments may enter default before settling all the agreed cash flows.

CRM - Credit Risk Mitigation

Credit Risk Mitigation is a set of techniques, ancillary contracts to the loan or other instruments (e.g. securities, guarantees), which reduces credit risk capital requirements.

CRO

Chief Risk Officer.

Default

A party's declared inability to honour its debts and/or the payment of the associated interest.

EAD – Exposure At Default

Relating to the on-balance and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor's default. Only banks that meet the requirements for adopting the "IRB – Internal Rating Based" advanced approach are allowed to estimate EAD (q.v.). Other banks are required to refer to regulatory estimations.

EBA European Banking Authority

The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector.

ECA

Export Credit Agency.

Glossary

ECAI

External Credit Assessment Institution.

ECB

European Central Bank. The ECB is the central bank for Europe's single currency, the euro.

Economic capital

Capital level that is required by a bank to cover the losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on the degree of diversification of the portfolio itself.

EPS – Earnings Per Shares

An indicator of a company's profitability calculated by dividing the net profit by the average total outstanding shares (excluding treasury shares).

EPS – Diluted Earnings Per Shares

An indicator of a company's profitability calculated by dividing the net profit by the average total diluted outstanding shares (excluding treasury shares).

Expected Losses

The losses recorded on average over a one year period on each exposure (or pool of exposures).

Fair value

The price at which an asset can be traded or a liability settled in a free-market transaction between conscious and independent parties .

Forbearance/Forborne exposures

According to the EBA Implementing Technical Standard, forborne exposures are exposures in respect of which forbearance measures have been extended, consisting of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

Funding

Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.

Futures

Standardised contracts through which parties undertake to exchange money, transferable securities or goods at a set price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.

Goodwill

The additional sum paid for the acquisition of an equity interest, equal to the difference between the cost and the corresponding share of net assets, for the portion not attributable to the identifiable assets of the acquired company.

Haircut

Difference between the value of the assets pledged as collateral and the amount of credit extended in a collateralised credit operation. In securities collateralised transactions, it represents the percentage of the market price (or nominal value) of a financial asset pledged as collateral which is to be deducted from the market price (or nominal value) in order to determine the collateralisation value.

HNWI

High Net Worth Individual, i.e. Private customers with TFA of over € 1 million.

Glossary

IAS/IFRS

International accounting standards issued by the International Accounting Standard Board (IASB), a private international body established in April 2001, involving representatives of the accounting professions of the principal countries and, as observers, the European Union, IOSCO (International Organization of Securities Commissions) and the Basel Committee. This body is the successor of the International Accounting Standards Committee (IASC), set up in 1973 to promote harmonisation of the rules for the preparation of company accounts. When the IASC became the IASB, it was decided, among other things, to name the new accounting principles "International Financial Reporting Standards" (IFRS). At international level, work is currently underway to harmonise the IAS/IFRS with the US GAAP – United States Generally Accepted Accounting Principles (q.v.).

ICAAP – Internal Capital Adequacy Assessment Process

See "Basel 2 – Pillar 2".

Impairment

Within the framework of the IAS/IFRS (q.v.), this refers to the loss of value of a balance sheet asset, recorded when the book value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset.

Impaired loans

Loans and receivables are reviewed periodically in order to identify those that, following events occurring after initial recognition (at market value, which is, usually, equal to the amount paid including transaction costs and income directly attributable to the disbursement of the credit) show objective evidence of possible impairment. These include a loans to which the status of bad loans, unlikely to pay and past due has been assigned, according to the Bank of Italy rules in line with the IAS/IFRS (q.v.).

Internal Capital

Represents the amount of capital required to cover potential losses and is required to support the business activities and positions held. Internal Capital is the sum of the aggregated Economic Capital and a cushion that considers the effects of the cycle and model risk.

(Internal) validation

Expert unit, internal but sufficiently independent, that verifies the adequacy of internal models for internal and regulatory purposes and issues a formal opinion about their usefulness and effectiveness. Usually a prerequisite for the validation process carried out by the authorities.

Index linked

Policies whose performance at maturity depends on a benchmark parameter that may be a share index, a basket of securities or another indicator.

IRB – Internal Rating Based

Method for determining the capital needed to cover credit risk within the framework of Pillar 1 of Basel 2 (q.v). The rules are applied to the exposures of the banking book. Furthermore, in the IRB methods the risk weightings of the assets are determined on the basis of the bank's own internal evaluations of the debtors (or, in some cases, of the transactions). Using systems based on internal ratings, the banks determine the weighted risk exposure. The IRB methods consist of a basic method and an advanced method, which differ in terms of the risk parameters that the bank must estimate: in the basic method, the banks use their own estimates for “PD – Probability of Default” and the regulatory values for the other risk parameters; in the advanced method, the banks use their own estimates for "PD – Probability of Default ", "LGD – Loss Given Default", "CCF – Credit Conversion Factors" and, where provided for, "M - Maturity" (q.v.). The use of IRB methods for the calculation of capital requirements is subject to authorisation from the Bank of Italy.

IRS – Interest Rate Swap

See "Swap".

Joint venture

Agreement between two or more companies for the conduct of a given economic activity, usually through the constitution of a joint stock company.

Ke

The cost of equity is the minimum return on investment required by the shareholder. It is the sum of a risk-free rate and an additional spread remunerating the shareholder for the credit risk and the volatility of the share price. The cost of capital is based on medium-long term averages of market parameters.

Glossary

KPI - “Key Performance Indicators”

Set of indicators used to evaluate the success of a particular activity or process.

Key Risk Indicators

The risk indicators are quantitative metrics that reflect exposure to Operational Risks of specific processes or products: the value expressed by an indicator should be related to changes in risk levels.

Knock Out Option

Knock Out Options are derivative contracts belonging to the category of barrier options. They are characterised by the fact that the option to buy or sell ceases to exist when the price of the underlying touches the predetermined Strike (also known as the “Barrier”).

Large exposures

The sum of all the exposures towards a counterparty that are equal to or more than 10% of the eligible capital of the Issuer, when: (i) the exposures are the sum of the on-balance-sheet risk assets and the off-balance-sheet operations with a counterparty, as defined by the regulations on credit risk, without applying the weighting factors established therein (these exposures do not include the risk assets deducted in the determination of the Own Funds); (ii) a counterparty is a customer or a group of connected customers.

LCR - Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is structured in such a way as to ensure that an institution maintains an adequate level of high quality non-restricted liquid assets that can be converted into cash to meet its liquidity needs over a period of 30 calendar days in a particularly acute liquidity stress scenario specified by the supervisory authorities. The LCR is defined as the ratio between the stock of high quality liquid assets and the total cash outflows in the next 30 calendar days.

Leasing

Contract whereby one party (the lessor) conveys the right to use an asset to another party (the lessee) for a given period of time and in exchange for consideration.

LGD – Loss Given Default

Expected value (which may be conditional upon adverse scenarios) of the ratio, expressed as a percentage, between the loss giving rise to the default and the amount of exposure at the time of the default (“EAD - Exposure At Default”, q.v.).

LTV – Loan To Value

Loan To Value (LTV) is the ratio between the amount of the loan granted and the value of the real estate property, and is calculated on the entire property covered by the guarantee.

Liquidity risk

The risk of the company being unable to meet its payment commitments due to the inability to liquidate assets or obtain sufficient funding from the market (funding liquidity risk) or due to the difficulty/inability to easily liquidate positions in financial assets without significantly and unfavourably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).

Long and Short Margining

Margining is a trading method that allows investors to buy (long leverage) or sell (short selling) by investing only a part of the liquidity required.

Mark to market

Process of valuing a portfolio of securities or other financial instruments on the basis of prices expressed by the market.

Market risk

Consists of the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the portfolio, when it includes assets held in the trading book, as well as those posted in the banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments.

Glossary

Maturity Ladder

Instrument for managing and monitoring short-term liquidity (operational liquidity), which, by offsetting assets and liabilities whose maturity falls within each individual time band, enables the identification of mismatches (periodic and cumulative) between incoming and outgoing cash flows and, therefore, to calculate the net financial requirement (or surplus) over the period of the year.

Minimum Requirement for Eligible Liabilities (MREL)

The Minimum Requirement for Eligible Liabilities (MREL) is set by the Resolution Authorities to ensure that a bank maintains at all times sufficient tools to facilitate the implementation of the resolution strategy defined by the Resolution Authority in the event of a crisis. The MREL aims to prevent the resolution of a bank from being dependent on public financial support and, therefore, helps to ensure that shareholders and creditors contribute to loss absorption and recapitalisation.

NAV – Net Asset Value

This is the value of the unit into which the assets of a mutual fund are divided.

Non-performing exposures

According to the EBA Implementing Technical Standards, non-performing exposures are all on-balance-sheet and off-balance-sheet exposures that satisfy either or both of the following criteria:

- the debtor is more than 90 days in arrears in the payment of a material obligation, where the conditions for setting the materiality threshold are defined in Regulation (EU) 2018/171;
- exposures for which the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

NSFR - Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is structured to ensure that long-term assets are financed with at least a minimum amount of stable liabilities in relation to their respective liquidity risk profiles. The NSFR is aimed at limiting the excessive use of short-term wholesale deposits in periods of abundant market liquidity and encouraging a better assessment of liquidity risk based on all balance sheet and off-balance sheet items. The NSFR is defined as the ratio between the total available stable funding and the total required stable funding.

NSFR Adjusted

The NSFR Adjusted ratio is based on the regulatory ratio NSFR (Net Stable Funding Ratio) but is adjusted by maturity (i.e. by bucket) considering maturities of more than 3 and 5 years respectively. The NSFR Adjusted is therefore used to monitor and control the structural liquidity situation on maturities over the year. The NSFR is defined as the ratio between the cumulative liabilities over the year and the cumulative assets over the year.

Operational risk

The risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk. For example, losses resulting from internal or external fraud, employment relations and occupational safety, customer complaints, product distribution, fines and other penalties resulting from regulatory violations, damage to Company's physical assets, business disruptions and systems failures, and process management can be defined as operational.

Option

The right, but not the commitment, acquired by the payment of a premium, to buy (call option) or sell (put option) a financial instrument at a given price (strike price) by or at a determined future date (American option/European option).

OTC – Over The Counter

Over-the-counter (OTC) trading consists of the exchange of financial instruments such as shares, bonds, derivatives or goods directly between two counterparties. The OTC markets do not have standardised contracts or buying/selling procedures and are not associated with a set of rules (admissions, controls, obligations of information, etc.) like those that govern the official markets.

Own funds or Total Capital

The own funds of a bank consist of a series of regulatory defined items (excluding the negative items to be deducted), classified based on capital quality and loss absorbing capacity. From January 1st, 2014, after the CRR came into force, Own Funds consists of the sum of Tier 1 capital and Tier 2 capital.

Glossary

Past-due and/or overdrawn impaired exposures

On-balance sheet exposures, other than those classified as bad loans or unlikely to pay that are past due or overdrawn at the reporting date. They represent the total exposure to any borrower not included in the unlikely to pay and bad loans categories, who at the reporting date has expired facilities or unauthorised overdrafts that are more than 90 days past due and and exceeding the materiality thresholds defined in Delegated Regulation (EU) 2018/171.

Payout ratio

The percentage of net income that is distributed to shareholders. The percentage paid out is determined mainly on the basis of the company's self-financing needs and the return expected by shareholders.

PD – Probability of Default

Default Probability of a counterparty entering into a situation of "default" (q.v.) within a period of one year.

Private banking

Financial services aimed at "high-end" private customers for the global management of financial needs.

Rating

Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.

Retail

Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.

Risk Taking Capacity

Ratio between Available Financial Resources and Internal Capital.

Risk-weighted assets

See the item "RWA - Risk-Weighted Assets".

RWA - Risk-Weighted Assets

It is the value of on-balance sheet and off-balance sheet risk-weighted assets on the basis of different weighting factors according to the class in which the exposure is classified and its credit quality, in accordance with the banking regulations issued by the regulatory authorities for the calculation of the solvency ratios.

Sensitivity

The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

Sensitivity Analysis

Sensitivity analysis quantifies the change in value of a financial portfolio resulting from an unfavourable change in major risk factors (interest rate, exchange rate, equity).

Significant increase in credit risk "SICR"

Criterion used to check Stage transition. If the credit risk of the financial instrument is significantly increased after initial recognition, the value adjustments are equal to the expected losses over the life of the instrument (lifetime ECL).

Spread

This term is normally used to denote the difference between two interest rates, the spread between bid and ask prices in securities trading, or the mark-up that the issuer of securities pays in addition to a reference rate.

Glossary

SPV –Special Purpose Vehicle

An entity – partnership, limited company or trust – set up to pursue specific objectives, such as isolating financial risk or obtaining special regulatory or tax treatment for specific portfolios of financial assets. SPV's operations are accordingly limited by a set of rules designed for this purpose. In general the SPVs' sponsors (q.v.) do not hold equity in them. The equity is held by other entities in order to ensure that there is no shareholder relationship with the Sponsor (q.v.). SPVs are usually bankruptcy-remote, in that their assets cannot be claimed by the creditors of the sponsor, even if the latter becomes insolvent.

Swap

A transaction that generally consists of the exchange of financial streams between operators according to different contractual arrangements. In the case of an interest rate swap (IRS), the counterparties exchange payment streams that may or may not be linked to interest rates, calculated on a notional principal amount (for example, counterparty pays a stream on the basis of a fixed rate, while the other does so on the basis of a variable rate). In the case of a currency swap, the counterparties exchange specific amounts in two different currencies, with these amounts being exchanged back in due course according to predefined arrangements that may concern both the capital (notional) and the streams of interest payments.

Targeted Longer-Term Refinancing Operations (TLTRO)

Targeted Longer-Term Refinancing Operations (TLTRO) programmes offer credit institutions in the euro area financing with multi-year maturities aimed at improving the functioning of the monetary policy transmission mechanism by supporting the provision of bank credit to the real economy

Tier 1 Capital

Tier 1 capital (tier 1) includes Common Equity Tier 1 - CET1 and Tier 1 additional capital (Additional Tier 1 - AT1).

Tier 1 Capital Ratio

The percentage of a bank's Tier 1 Capital to its risk weighted assets "RWA – Risk Weighted Assets" (q.v.).

Trading Book

Positions held for trading are those held intentionally for a subsequent sale in the near term and/or assumed with the intention of benefiting, in the short term, from the differences between buying and selling prices, or other price or interest rate interest variations.

UCI – Undertakings for Collective Investment

This term includes "UCITS – Undertakings for Collective Investment in Transferable Securities" (q.v.) and collective investment funds (real estate collective investment funds, closed-end investment funds).

UCITS – Undertakings for Collective Investment in Transferable Securities

This term covers open-end real estate investment funds, both Italian and foreign, and investment companies with variable capital. The latter are joint stock companies that have the sole purpose of collective investment of the assets gathered through a public offer of their own shares.

Unlikely to pay

On-balance and off-balance sheet exposures that meet the definition of unlikely to pay, which do not meet the conditions to be classified as bad loans. The classification as "unlikely to pay" derives from the assessment of the debtor's unlikeliness (without actions such as realisation of collateral) to repay fully his credit obligation (principal and/or interest). This assessment is made independently of any past due and unpaid amount (or instalment). The classification of an exposure as unlikely to pay is not necessarily tied to evident issues (non-repayment), but is rather linked to indicators of a potential default of the borrower.

VaR – Value at Risk

A method used for quantifying risk. It measures potential future losses which will not be exceeded within a specified period and with a specified probability.

Glossary

Alternative Performance Measures ("APMs")

Alternative Performance Measures are used in the Consolidated Report on Operations, the content and, where applicable, the calculation methods used of which are described below, with the exception of the APMs presented in the reclassified income statement and balance sheet contained in the Consolidated Report on Operations, for which reference should be made to the reconciliation schedules with the consolidated and individual financial statements contained in the Annexes.

Assets under management

Investment funds, segregated accounts and insurance products. For a numerical reconciliation, please refer to the tables in the section "Performance of total financial assets" presented in the Consolidated Report on Operations.

Assets Under Custody

Government securities, bonds and shares. For a numerical reconciliation, please refer to the tables in the section "Performance of total financial assets" presented in the Consolidated Report on Operations.

Bad loans/Loans receivable with ordinary customers

Ratio of Bad exposures (q.v.), as represented in the table "Impaired assets" to which reference should be made, to Loans receivable to ordinary customers, as represented in the table "Loans and Receivables to Customers (Management Reclassification)" to which reference should be made.

Consolidated

Items	12/31/2023	12/31/2022
Bad exposures (Amounts in €/000)	1,110	1,405
Loans receivable to ordinary customers (Amounts in €/000)	5,535,383	5,916,090
Bad loans/Loans receivable to ordinary customers	**0.02%**	**0.02%**

Individual

Items	12/31/2023	12/31/2022
Bad exposures (Amounts in €/000)	1,110	1,405
Loans receivable to ordinary customers (Amounts in €/000)	5,535,383	5,916,089
Bad loans/Loans receivable to ordinary customers	**0.02%**	**0.02%**

Glossary

Cost/income ratio

The ratio of operating costs to revenues, as presented in the condensed income statement to which reference should be made. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

Items		12/31/2023	12/31/2022
Operating costs (Amounts in €/000)		298,321	280,815
Revenues (Amounts in €/000)		1,237,631	947,606
	Cost/Income Ratio	**24.10%**	**29.63%**

Individual

Items		12/31/2023	12/31/2022
Operating costs (Amounts in €/000)		277,724	261,925
Revenues (Amounts in €/000)		1,195,412	907,228
	Cost/Income Ratio	**23.23%**	**28.87%**

Cost of Risk

The ratio of Net impairment losses of loans to customers in the last 12 months to loans receivable to ordinary customers (average of the averages of the last four quarters, calculated as the average balance at the end of the quarter and the balance at the end of the previous quarter). The scope only includes loans to ordinary customers. It is one of the risk indicators of bank assets: the lower the ratio, the less risky the bank assets.

Items		12/31/2023	12/31/2022
Net impairment losses of loans to ordinary customers (Amounts in €/000)		2,651	2,485
Loans receivable to ordinary customers (Amounts in €/thousand) (average of the averages of the last four quarters, calculated as the average balance at the end of the quarter and the balance at the end of the previous quarter)		5,787,703	5,680,431
	Cost of Risk (bps)	**5**	**4**

CoR (incentive system)

The ratio of Net impairment losses of loans to customers in the last 12 months, including adjustments to available margins of credit lines granted, to loans and receivables to customers (average of the balance at period end and the balance at December 31st of the previous year). The scope only includes loans to ordinary customers.

Items		12/31/2023	12/31/2022
Net impairment losses of loans to ordinary customers (Amounts in €/000)		2,724	2,517
Loans and receivables to ordinary customers (Amounts in €/thousand) (average of the balance at period end and the balance at December 31 of the previous year)		5,716,646	5,658,581
	CoR (incentive system) (bps)	**5**	**4**

Coverage ratio

The Coverage ratio represents the percentage of a given aggregate of credit exposures covered by an impairment provision and is calculated as the ratio of the amount of the impairment provision to the gross exposure. For a numerical reconciliation of Coverage (Bad loans, Unlikely to pay, Past-due loans and Total impaired loans), please refer to the table "Impaired Assets" in the "Loans and receivable to Customers" section of the Consolidated Report on Operations.

Glossary

Direct deposits

Current accounts, repos and time deposits. For a numerical reconciliation, please refer to the tables in the section "Performance of total financial assets" presented in the Consolidated Report on Operations.

Direct deposits/Total liabilities and Shareholders' equity

Ratio of direct deposits (see item), as represented in the table "Total financial assets" to which reference should be made, to total liabilities and Shareholders' equity, as represented in the table of the condensed balance sheet to which reference should be made.

Consolidated

Items	12/31/2023	12/31/2022
Direct deposits (Amounts in €/000)	28,441,830	30,569,876
Total liabilities and Shareholders' equity (Amounts in €/000)	33,315,700	36,268,885
Direct deposits/Total liabilities and Shareholders' equity	**85.37%**	**84.29%**

Individual

Items	12/31/2023	12/31/2022
Direct deposits (Amounts in €/000)	28,441,830	30,569,876
Total liabilities and Shareholders' equity (Amounts in €/000)	33,251,116	36,208,289
Direct deposits/Total liabilities and Shareholders' equity	**85.54%**	**84.43%**

EVA (Economic Value Added)

EVA is an indicator of the value created by a company. It shows the Company's ability to create value; calculated as the difference between profit (loss) for the year excluding extraordinary net income from investments with related tax effects, and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital absorbed either using the book value of shareholders' equity (average of single end quarters).

(Amounts in € thousand)

Items	12/31/2023	12/31/2022
+ Profit (loss) for the year	609,101	428,505
- extraordinary net income from investments with related tax effects	(24)	(366)
- figurative cost of the allocated capital (calculated using either the greater of the regulatory capital and the economic capital absorbed)	(69,268)	(60,799)
EVA (calculated on allocated capital)	**539,809**	**367,339**

(Amounts in € thousand)

Items	12/31/2023	12/31/2022
+ Net profit	609,101	428,505
- extraordinary net income from investments with related tax effects	(24)	(366)
- figurative cost of the book value of shareholders' equity (calculated as average of single end quarters of the year)	(220,339)	(163,610)
EVA (calculated on book value of shareholders' equity)	**388,738**	**264,529**

Glossary

Financial investments/Total assets

Ratio of Financial investments, as represented in the condensed balance sheet to which reference should be made, to Total Assets.

Consolidated

Items	12/31/2023	12/31/2022
Financial investments (Amounts in €/000)	21,403,026	24,634,034
Total assets (Amounts in €/000)	33,315,700	36,268,885
Financial investments/Total assets	**64.24%**	**67.92%**

Individual

Items	12/31/2023	12/31/2022
Financial investments (Amounts in €/000)	21,405,097	24,636,590
Total assets (Amounts in €/000)	33,251,116	36,208,289
Financial investments/Total assets	**64.37%**	**68.04%**

Financial margin/Revenues

Ratio of the financial margin to revenues, as represented in the condensed income statement, to which reference should be made.

Items	12/31/2023	12/31/2022
Financial margin (Amounts in €/000)	687,956	392,200
Revenues (Amounts in €/000)	1,237,631	947,606
Financial margin/Revenues	**55.59%**	**41.39%**

Guided products & services

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

Guided products & services/TFA

Ratio of Guided products & Services (q.v.) and TFA (q.v.), as represented in the table "Total financial assets" presented in the Consolidated Report on Operation to which reference should be made.

Items	12/31/2023	12/31/2022
Guided products & services (Amounts in €/000)	46,544,051	40,221,024
TFA average (Amounts in €/000)	114,557,186	107,236,642
Guided products & services/ TFA	**40.6%**	**37.5%**

Glossary

Income from brokerage and other income

Income from brokerage and other income include the items Net fee and commission income, Net trading, hedging and fair value income and Net other expenses/income, as represented in the condensed income statement to which reference should be made.

Items	12/31/2023	12/31/2022
Net fee and commission income	489,906	465,627
Net trading, hedging and fair value income	60,402	89,899
Net other expenses/income	(565)	156
Income from brokerage and other income	**549,743**	**555,682**

Income from brokerage and other income/Operating costs

Ratio of the Income from brokerage and other income (q.v.) and Operating costs, as represented in the condensed income statement to which reference should be made.

Items	12/31/2023	12/31/2022
Income from brokerage and other income (Amounts in €/000)	549,743	555,682
Operating costs (Amounts in €/000)	298,321	280,815
Income from brokerage and other income/Operating costs	**184.28%**	**197.88%**

Income from brokerage and other income/Revenues

Ratio of the Income from brokerage and other income (q.v.) and Revenues, as represented in the condensed income statement to which reference should be made.

Items	12/31/2023	12/31/2022
Income from brokerage and other income (Amounts in €/000)	549,743	555,682
Revenues (Amounts in €/000)	1,237,631	947,606
Income from brokerage and other income/Revenues	**44.42%**	**58.64%**

Glossary

Loans receivable to banks/Total assets

Ratio of the Loans receivable to banks, as represented in the table “Loans and Receivables to banks" presented in the Consolidated Report on Operation to which reference should be made, to the total assets.

Consolidated

Items	12/31/2023	12/31/2022
Loans and receivables to banks (Amounts in €/000)	376,373	426,696
Total assets (Amounts in €/000)	33,315,700	36,268,885
Loans and receivables to banks/Total assets	**1.13%**	**1.18%**

Individual

Items	12/31/2023	12/31/2022
Loans and receivables to banks (Amounts in €/000)	351,272	416,733
Total assets (Amounts in €/000)	33,251,116	36,208,289
Loans and receivables to banks/Total assets	**1.06%**	**1.15%**

Loans receivable to ordinary customers

Loans receivable to ordinary customers include solely to loans granted to customers (current account overdrafts, credit cards, personal loans, mortgages and unsecured loans). For a numerical reconciliation, please refer to the table in in the section “Performance of total financial assets” presented in the Consolidated Report on Operation.

Loans receivable to ordinary customers/Total assets

Ratio of the Loans receivable o ordinary customers (q.v.), as represented in the table “Loans and Receivables to Customers (Management Reclassification)" presented in the Consolidated Report on Operation to which reference should be made, to the total assets.

Consolidated

Items	12/31/2023	12/31/2022
Loans receivable to ordinary customers (Amounts in €/000)	5,535,383	5,916,090
Total assets (Amounts in €/000)	33,315,700	36,268,885
Loans receivable to ordinary customers/Total assets	**16.62%**	**16.31%**

Individual

Items	12/31/2023	12/31/2022
Loans receivable to ordinary customers (Amounts in €/000)	5,535,383	5,916,089
Total assets (Amounts in €/000)	33,251,116	36,208,289
Loans receivable to ordinary customers/Total assets	**16.65%**	**16.34%**

Glossary

Loans receivable to ordinary customers/Direct Deposits

Ratio of the Loans receivable to ordinary customers (q.v.), as represented in the table "Loans and Receivables to Customers (Management Reclassification)" presented in the Consolidated Report on Operation to which reference should be made, to Direct Deposits as represented in the table "Total financial assets (Management Reclassification)" presented in the Consolidated Report on Operation to which reference should be made.

Consolidated

Items	12/31/2023	12/31/2022
Loans receivable to ordinary customers (Amounts in €/000)	5,535,383	5,916,090
Direct deposits (Amounts in €/000)	28,441,830	30,569,876
Loans receivable to ordinary customers/Direct deposits	**19.46%**	**19.35%**

Individual

Items	12/31/2023	12/31/2022
Loans receivable to ordinary customers (Amounts in €/000)	5,535,383	5,916,089
Direct deposits (Amounts in €/000)	28,441,830	30,569,876
Loans receivable to ordinary customers/Direct deposits	**19.46%**	**19.35%**

Non-performing loans/Loans receivable with ordinary customers

Ratio of the Impaired loans (q.v.), as represented in the table "Impaired assets" to which reference should be made, to Loans receivable to ordinary customers, as represented in the table "Loans and Receivables to Customers (Management Reclassification)" presented in the Consolidated Report on Operation to which reference should be made.

Consolidated

Items	12/31/2023	12/31/2022
Impaired loans (Amounts in €/000)	3,965	3,527
Loans receivable to ordinary customers (Amounts in €/000)	5,535,383	5,916,090
Impaired loans/Loans receivable to ordinary customers	**0.07%**	**0.06%**

Individual

Items	12/31/2023	12/31/2022
Impaired loans (Amounts in €/000)	3,965	3,527
Loans receivable to ordinary customers (Amounts in €/000)	5,535,383	5,916,089
Impaired loans/Loans receivable to ordinary customers	**0.07%**	**0.06%**

Glossary

Operating costs/FTA

Ratio of operating costs, as presented in the condensed income statement to which reference should be made, to average Total Financial Assets (TFA, see item), calculated as the average between the TFA balance at the end of period and the balance as at the previous December 31st. It is one of the main ratios of the Bank's management efficiency: the lower the value expressed by this ratio, the greater the bank's efficiency.

Items	12/31/2023	12/31/2022
Operating costs (Amounts in €/000)	298,321	280,815
TFA average (Amounts in €/000)	114,557,186	107,236,642
Operating Costs/TFA	**0.26%**	**0.26%**

RARORAC - Risk adjusted Return on Risk adjusted Capital

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

(Amounts in € thousand)

Items	12/31/2023	12/31/2022
EVA (calculated on allocated capital) (Amounts in €/000)	539,809	367,340
Allocated capital: the greater of the regulatory capital and the economic capital absorbed (Amounts in €/000)	634,903	666,660
RARORAC (calculated on allocated capital)	**85.02%**	**55.10%**

Items	12/31/2023	12/31/2022
EVA (calculated on accounting capital) (Amounts in €/000)	388,739	264,529
Shareholders' equity (average of single end quarters) (Amounts in €/000)	2,019,601	1,793,968
RARORAC (calculated on shareholders' equity)	**19.25%**	**14.75%**

ROA - Return on Assets

Ratio of profit (loss) for the year, as represented in the condensed income statement to which reference should be made, to total assets, as represented in the condensed balance sheet to which reference should be made.

Items	12/31/2023	12/31/2022
Profit (Loss) for the year (Amounts in €/000)	609,101	428,505
Total assets (Amounts in €/000)	33,315,700	36,268,885
ROA - Return on Assets	**1.83%**	**1.18%**

Glossary

ROAC – Return On Risk Allocated Capital

An indicator calculated as ratio of profit (loss) for the year to the average of the quarters of the year of the allocated capital (calculated with the same methods envisaged for the calculation of the EVA).

Items	12/31/2023	12/31/2022
Profit (Loss) for the year (Amounts in €/000)	609,101	428,505
Allocated capital: the greater of the regulatory capital and the economic capital absorbed (Amounts in €/000)	634,903	666,660
ROAC (calculated on allocated capital)	**95.94%**	**64.28%**

Items	12/31/2023	12/31/2022
Profit (Loss) for the year (Amounts in €/000)	609,101	428,505
Shareholders' equity (average of single end quarters) (Amounts in €/000)	276,685	253,488
ROAC (calculated on shareholders' equity)	**30.16%**	**23.89%**

ROE

Ratio between profit (loss) for the year and the average shareholders' equity for the period (excluding the revaluation reserves), calculated as the average of the balance at the end of the period and that of the previous December 31st. The ROE published in the 2022 financial report was calculated by excluding dividends for which distribution was planned, therefore, the comparative figure for 2022 was recalculated and restated.

	12/31/2023	12/31/2022
Profit (Loss) for the year (Amounts in €/000)	609,101	428,505
Shareholders' equity (average) (Amounts in €/000)	2,054,841	1,820,475
Return Of Equity (ROE)	**29.64%**	**23.54%**

Shareholders' equity (net profit included)/Total liabilities and Shareholders' equity

Ratio of Shareholders' equity (net profit included) and Total liabilities and Shareholders' equity, as represented in the condensed balance sheet, to which reference should be made.

Consolidated

Items	12/31/2023	12/31/2022
Shareholders' equity (net profit included) (Amounts in €/000)	2,194,676	1,910,397
Total liabilities and Shareholders' equity (Amounts in €/000)	33,315,700	36,268,885
Shareholders' equity (net profit included)/Total liabilities and Shareholders' equity	**6.59%**	**5.27%**

Individual

Items	12/31/2023	12/31/2022
Shareholders' equity (net profit included) (Amounts in €/000)	2,155,387	1,875,711
Total liabilities and Shareholders' equity (Amounts in €/000)	33,251,116	36,208,289
Shareholders' equity (net profit included)/Total liabilities and Shareholders' equity	**6.48%**	**5.18%**

Glossary

Total net sales

Sum of sales during the reporting period net of redemptions made during the same period with reference to Assets Under Management (see item), Assets Under Custody (see item) and Direct deposit from customers (see item). For a numerical reconciliation, please refer to the table in the section "Performance of total financial assets" presented in the Consolidated Report on Operation. Total net sales are also shown with reference to customers of the Financial Advisor Network only.

Total Financial Assets - TFA

Assets Under Management (q.v.), Assets Under Custody (q.v.) and Direct Deposits (q.v.). For a numerical reconciliation, please refer to the table in in the section “Performance of total financial assets” presented in the Consolidated Report on Operation. Total Financial Asset is also represented with reference to the clients of the Financial Advisor Network only.