ACCOUNTS AND REPORTS 2021

FINECO

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Board of Directors, Board of Statutory Auditors and External Auditors

	Board of Directors
Marco Mangiagalli	Chairman
Francesco Saita	Vice Chairman
Alessandro Foti	Chief Executive Officer and General Manager
Alessandra Pasini Elena Biffi Giancarla Branda Gianmarco Montanari Maria Alessandra Zunino De Pignier Marin Gueorguiev Paola Giannotti De Ponti Patrizia Albano	Directors
	Board of Statutory Auditors
Luisa Marina Pasotti	Chairman
Giacomo Ramenghi Massimo Gatto	Standing Auditors
Lucia Montecamozzo Alessandro Gaetano	Alternate Auditors
Deloitte & Touche S.p.A.	External Auditors
Lorena Pelliciari	Nominated Official in charge of drawing up Company Accounts

On February 9, 2021, Mr. Andrea Zappia, non executive Director of the Bank, resigned with effect from March 1, 2021, due to professional commitments.

The Shareholders' Meeting FinecoBank of April 28, 2021 appointed Mrs. Alessandra Pasini as member of the Board of Directors of FinecoBank S.p.A.. Mrs. Alessandra Pasini was co-opted by the same administrative body at its meeting of 16 March 2021 pursuant to art. 2386 of Italian Civil Code.

The same Shareholders' Meeting appointed Mrs. Luisa Marina Pasotti (Chairwoman) and Mr.. Giacomo Ramenghi, as Standing Auditors, and Mrs. Lucia Montecamozzo and Mr.. Alessandro Gaetano, as Alternate Auditors.

The Board of Directors and the Board of Statutory Auditors will remain in office until the date of the Shareholders' Meeting held to approve the Financial Statements for the year ended December 31, 2022.

Registered office

Piazza Durante 11, 20131 Milan, Italy

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

Introduction to the Annual Reports and Accounts

In implementation of Legislative Decree no. 38 of February 28, 2005, these Annual Reports and Accounts 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 19, 2002 and applicable to financial reports for the periods starting on January 1, 2021.

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 18 August 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 2020;
- 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 28 July 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 5 October 2015 by the European Securities and Markets Authority (ESMA/2015/1415)). All data and indicators shown in the Consolidated Management Report refer to the aforementioned reclassified income statement and balance sheet. It should be noted that in the context resulting from the COVID-19 pandemic, no new indicators have been introduced, nor have any changes been made to the indicators normally used;
- the **Certification of the Consolidated Report and Accounts pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments.**

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

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 2020;
- 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 14, 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.

Information regarding corporate governance and ownership structures, required pursuant to art. 123-bis, paragraph 3 of Legislative Decree 24 February 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://www.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://www.finecobank.com).

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://www.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 31 December 2021", by Regulation (EU) 575/2013 as amended by Regulation (EU) 2019/876 of the European Parliament and of the European Council and by Regulation (EU) 2020/873 (so called CRR “Quick-fix”) of the European Parliament and of the European Council.

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 annual financial report, which includes both the consolidated and parent company financial statements, is prepared in XHTML format and includes the tagging for the consolidated financial statements of the minimum information required by the Regulations for 2021. 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 an independent multi-channel direct bank and one of the most important FinTech banks in Europe. It has one of the largest networks of personal financial advisors in Italy and is the leader in Italy for equity trades. FinecoBank offers an integrated business model combining direct banking and financial advice. With a single account including a full range of banking, credit, trading and investment services, which are also available through applications for smartphones and tablets. FinecoBank is also one of the most important players in Private Banking in Italy, with a highly tailor-made advisory approach that includes fiduciary services, protection and transmission of personal and corporate assets, legal and tax advice and management of discontinuity events.

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.

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

On 24th November 2021, S&P Global Ratings agency confirmed the rating assigned to Fineco: 'BBB' long-term, with an outlook improved to positive from a stable, and short-term rating was confirmed at A-2. According to S&P Global Ratings, "Fineco's digitised business model remains a differentiating factor that underpins its strong performance relative to its competitors". The positive outlook on FinecoBank, explains S&P Global Ratings, "reflects the growing outlook on its profitability, capitalisation and overall solvency". The agency believes that, in the base case scenario, "Fineco's performance will remain stronger than that of most of its competitors", citing the bank's more diversified revenue base, improved cost efficiency due to its innovative business model and an estimate of lower loan losses over the next two years.

FinecoBank is on the Standard Ethics Italian Banks Index© and the Standard Ethics Italian Index (comprising the largest 40 companies listed on the Borsa Italiana FTSE-MIB), one of the leading performance indexes and a benchmark for environmental, social and governance concerns. In June 2021, the independent agency Standard Ethics confirmed FinecoBank's rating for the second year running at the "EE+" level, thus placing the Bank among only two banks with the strongest sustainability rating currently assigned. In the reasons that led to the decision, Standard Ethics cites FinecoBank's flexibility and ability to adapt quickly to market challenges: characteristics that have enabled the rapid implementation of ESG strategies in line with the indications of the UN, OECD and European Union. The agency also highlights Fineco's achievements in the area of sustainability governance, starting with the best practice represented by the company's Board of Directors in terms of independence, professional pluralism and gender equality. In addition, improvements have been achieved in the scores given by the other major ESG rating agencies: Sustainalytics improved Fineco's ESG risk rating from 18.7 (Low risk) at the end of 2020 to 16.0 (Low risk), confirming its position among the best banks internationally; S&P's Corporate Sustainability Assessment saw an increase in the score from 54 to 65 points out of 100; the excellent result obtained in the update of Vigeo Eiris' ESG rating, equal to 54 points out of 100 (robust performance), in December allowed Fineco to be included in Euronext's MIB ESG Index, the first ESG index dedicated to Italian blue-chips, designed to identify large Italian listed issuers with the best ESG practices; while Refinitiv and MSCI confirmed the ratings assigned the previous year, respectively 85 points out of 100, indicating excellent ESG performance and a high degree of transparency in public sustainability reporting, and 'A', a rating in line with the average for the 'diversified financials' sector. At the end of the year, the Bank was also included in the FTSE4Good Sustainability Index, the Bloomberg Gender Equality Index (GEI) 2022, the Standard Ethics Italian Banks Index, the Standard Ethics Italian Index and the Nasdaq CRD Global Sustainability Index.

Despite the continuation of the COVID-19 pandemic, economic recovery continued in 2021, thanks in part to the actions taken by governments and central banks, which showed a strong desire to continue to support the real economy and markets, whose path remains uncertain.

In this economic context, the results achieved in 2021 further confirmed the strength and sustainability of the Group's business model, which enabled it to improve on the already excellent results generated in 2020. Fineco's growth path, in fact, rests on extremely solid foundations as it is driven by the rapid emergence of structural trends underway in the country, among which digitalisation stands out. The increasing demand from clients for advanced investment solutions has been instrumental in the positive results of the Investing platform, to which Fineco AM is making an increasing contribution. In this area, Fineco AM is preparing for a further discontinuity in favour of the Group's control over the entire value chain, expanding the possibilities available to financial advisors to successfully meet customers' needs. In addition, the review of the brokerage offering continues with the introduction of new products and services, with the aim of offering clients increasingly efficient and transparent tools in line with Fineco's business model.

In October 2021, FinecoBank successfully completed the placement of its first market issue of Senior Preferred instruments for a nominal amount of € 500 million and a coupon of 0.5% for the first 5 years. The issue registered a demand equal to more than 4 times the offer, confirming the market's appreciation of Fineco also in the fixed-income segment. The placement was carried out with a view to complying with the fully loaded MREL requirement calculated on the total exposure for the purposes of calculating the financial leverage ratio currently required of FinecoBank Group as from 1 January 2024.

At the end of 2021, total financial assets (direct and indirect) from customers amounted to € 107,915 million, up 17.7% on € 91,709 million at the end of 2020. The "Guided products & services" shows an incidence with respect to the assets under management equal to 76.3%, an increase compared to 73.6% as at December 31, 2020.

Net sales came to € 10,651 million during the 2021 (+14.7% y/y); the net sales of assets under management came to € 7,294 million, assets under custody came to € 1,876 million and direct deposits came to € 1,481 million. Net sales of "Guided Products & Services" came to € 6,794 million (+61.4% y/y). FAM's assets under management amounted to € 24.8 billion (€ 16.3 billion as at 31 December 2020), as a result of the ongoing acceleration of the company's growth process.

Summary data

During 2021, net sales through the network of Personal Financial Advisors totalled € 9,869 million (+23.6% y/y). Total financial assets (direct and indirect) of the PFA network as at 31 December 2021 amounted to € 94,631 million (+18.8% y/y).

The Total Financial Assets (TFA) related to Private clients, i.e. with assets above € 500,000, totalled € 48,761 million, equals to 45.2 % of total TFA of the Group, up 26.3% compared to 31 December 2020.

During the 2021, € 266 million in personal loans and € 1,030 million in mortgages were granted, and € 1,467 million in current account overdrafts was arranged, with an increase in exposures in current account of € 507 million; this has resulted an overall 35.1%[1] aggregate increase in loans receivable with ordinary customers compared to 31 December 2020. Credit quality remains high, with a cost of risk at 4bps, driven by the principle of offering credit exclusively to existing customers, making use of specialist tools to analyse the bank's vast information base. The cost of risk is structurally contained and fell further thanks also to the effect of new loans, which are mainly secured and low-risk. The ratio between net impaired loans and total loans to ordinary customers as at December 31, 2021 was 0.08% (0.09% as at December 31, 2020).

The total number of customers as at 31 December 2021 was 1,428,170, up 4.3% compared to 31 December 2020. Customers continue to reward Fineco's transparent approach, high quality and comprehensive range of financial services as represented through the "one-stop solution" concept.

The 2021 results confirm the sustainability and strength of the business model, which is capable of generating profits in all market conditions. The net profit for the year amounted to € 380.7 million, with an increase of 17.7% on the previous year. The cost/income ratio amounted to 32.21% (32.5% as at December 31, 2020), confirming the operating efficiency of the Group and the spread of the company culture on controlling costs. There was a significant contribution from Investing (+€63.3 million) thanks to the increase in average assets under management, generated by net inflows and the positive market effect, and the higher incidence of Guided Product and Services compared to total assets under management. It should be noted that the result for the year benefited from the tax realignment of goodwill carried out by FinecoBank, as provided for by art. 110 of Legislative Decree 104 of 2020, which resulted in a positive impact in 2021 of € 32 million. The net profit of the year net of the non-recurring items booked in the 2021[2] should be equal to € 349.2 million, up 7.6% compared to the 2020 net profit net of the non-recurring items[3].

The Group's offering is split into three integrated areas of activity: (i) Banking, including current account and deposit services, payment services, and issuing debit, credit and prepaid cards, mortgages and personal loans; (ii) Brokerage, providing order execution services on behalf of customers, with direct access to major global equity markets and the ability to trade CFDs (on currencies, indices, shares, bonds and commodities), futures, options, bonds, ETFs and certificates; (iii) Investing, including the asset management activity carried out by the subsidiary Fineco AM, thanks to the vertically integrated business model, placement and distribution services of about 6,000 products, including mutual funds and SICAV sub-funds managed by 75 leading Italian and international investment firms, insurance and pension products, as well as investment advisory services through a network, as at December 31, 2021, of 2,790 personal financial advisors.

The context following the COVID-19 pandemic

Italian government and central bank interventions following the COVID-19 pandemic

As highlighted above, the 2021 financial year continues to be influenced by the health emergency caused by the COVID-19 pandemic, the evolution of which in the near future is still difficult to predict. Despite this, the recovery of the economy has continued, although its path is still characterised by uncertainties, and governments and central banks are showing a great willingness to continue to support the real economy and the markets.

In this context, the Italian Government, as with other European governments, during 2020, adopted extraordinary measures, which have remained in place, aimed at keeping unemployment low and supporting the most vulnerable sectors. In coordination with these measures, the government has acted to secure business bank loans and has extended the solidarity fund for first-home mortgages (known as the Gasparrini Fund) to employees, self-employed workers and freelancers, subject to the development of COVID-19 restrictions.

During 2020, the Governing Council of the European Central Bank had intervened by adopting an extraordinary monetary package to support the euro area's real economy, and during the 2021 financial year it decided to reconfirm the very accommodative stance of its monetary policy in order to exit the pandemic safely, with the aim of bringing inflation back to 2% in a sustainable manner. In this regard, the Governing Council announced in December 2021 that the progress made in the economic recovery and towards the medium-term inflation target allows for a gradual reduction in the pace of asset purchases in the coming quarters, however, monetary accommodation is still needed for inflation to stabilise at the 2% target in the medium term. In view of the current uncertainty, the Governing Council has decided to retain flexibility and remain open to all options in the conduct of monetary policy, taking the following decisions:

a) expected net purchases of PEPP (pandemic emergency purchase programme) assets in the first quarter of 2022 at a lower pace than in the previous quarter; net purchases of PEPP assets will be discontinued at the end of March 2022;

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

[2] Tax benefit arising from the tax realignment of goodwill carried out by FinecoBank, as provided for in Article 110 of Legislative Decree 104 of 2020, in the amount of € 32 million, and change in the fair value of the equity exposure to the Voluntary Scheme established by the Interbank Deposit Protection Fund in the amount of € -0.5 million (net of tax effect).

[3] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 1 million (net of the tax effect)

Summary data

b) extending the reinvestment horizon of the PEPP. The Governing Council intends to reinvest the principal repaid on maturing PEPP securities at least until the end of 2024; in any case, future reductions in the PEPP portfolio will be managed so as to avoid interference with the appropriate monetary policy stance;

c) in line with a gradual reduction in asset purchases, in order for the monetary policy stance to remain consistent with the stabilisation of inflation at the medium-term objective, the Governing Council set a monthly pace of net purchases under the Asset Purchase Programme (AAP) of €40 billion in the second quarter and €30 billion in the third quarter. From October 2022 onwards, the Governing Council will maintain net purchases under the AAP at a monthly pace of €20 billion, as long as necessary to strengthen the accommodative impact of key policy rates. The Governing Council expects that net purchases will end shortly before the ECB starts to raise key interest rates;

d) the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.50% respectively. In support of the symmetric inflation target of 2% and in line with its monetary policy strategy, the Governing Council expects the ECB's key interest rates to remain at or below their current levels until it sees inflation reach 2% well before the end of its projection horizon and on a sustained basis for the remainder of the projection horizon, and until it considers that the progress achieved by core inflation is sufficiently advanced to be consistent with inflation stabilising at 2% over the medium term. In addition, this may entail a transitional period in which inflation is moderately above target;

e) the Governing Council will continue to monitor banks' funding conditions and ensure that the maturity of the targeted longer-term refinancing operations in the third series (TLTRO-III) does not impede the orderly transmission of monetary policy. In addition, the Governing Council will regularly review how the targeted refinancing operations contribute to the monetary policy stance. It expects that the specific conditions of the TLTRO-III will cease to apply in June next year. The Governing Council will also assess the appropriate calibration of the two-tier system for the remuneration of reserves, so that the negative interest rate policy does not restrict banks' intermediation capacity in an environment of abundant excess liquidity.

The Governing Council of the European Central Bank is also ready to adjust all its instruments, where appropriate and in any direction, to ensure that inflation stabilises at the 2% objective in the medium term.

It should be noted that taking into account the Recommendations of the European Central Bank ECB/2020/62 of 15 December 2020 and of the Bank of Italy of 16 December 2020, concerning the policies on dividend distributions and share buybacks that credit institutions and banking groups should adopt in the economic context burdened by the COVID-19 emergency, the Board of Directors of FinecoBank, which met on 9 February 2021, had resolved to propose to the Shareholders' Meeting the allocation of the entire 2020 profit to reserves, a proposal approved by the Shareholders' Meeting on 28 April 2021. On 23 July 2021, the European Central Bank decided not to extend Recommendation ECB/2020/62 beyond September 2021, inviting banks to adopt prudence in their decisions on dividends and share buybacks, carefully considering the sustainability of their business model and without underestimating the risk that additional losses could later affect the evolution of their capital profile when the support measures adopted expire. On 27 July 2021, the Bank of Italy also published a new Recommendation on dividend distribution and variable remuneration policies of banks, repealing the Recommendation of 16 December 2020, in which, in line with the decision taken by the European Central Bank communicated that the previous Recommendation on dividends and remuneration policies would remain in force until 30 September 2021 and that the Bank of Italy would return to adopting the criteria for assessing capital and dividend distribution and share repurchase plans by banks as part of the ordinary SREP process. Without prejudice to the dialogue then underway with the Bank of Italy, taking into account the shareholders' equity resulting from the financial statements for the year ended 31 December 2020, the sustainability of the business model and the regulatory constraints to which FinecoBank is subject, also in its capacity as Parent Company of the FinecoBank Banking Group, the Board of Directors of 3 August 2021 had resolved to propose to the Shareholders' Meeting the distribution of a unit dividend of € 0.53 for each of the 609,899,770 shares, to be distributed to Shareholders holding ordinary shares entitled to payment on the scheduled dividend date, for a total amount of € 323,246,878.10, drawn from the available revenue reserves. On 21 October 2021, the Shareholders' Meeting approved the above proposal. The dividend was paid on 24 November 2021 with an "ex-dividend" date of 22 November 2021.

Effective January 1, 2022, the European Central Bank ("ECB") classified FinecoBank as a significant entity. In this regard, it should be noted that the Banking Supervision of the ECB, in cooperation with the competent national authorities, has carried out a thorough assessment of the main risks and vulnerabilities faced by significant institutions under its direct supervision and has defined strategic priorities for the next three years. The three priorities identified for the period 2022-2024 aim to ensure that banks

- emerge from the pandemic in good health;
- seize this opportunity to address structural weaknesses through effective digitisation strategies and strengthened governance;
- address emerging risks, including climate and environmental risks, cyber risks and cyber risks.

For each priority, ECB Banking Supervision has developed a set of strategic objectives and related work programmes for the next three years, in response to the most relevant vulnerabilities identified through the 2021 Risk and Priorities exercise.

Summary data

Risks, uncertainties and impacts of the COVID-19 pandemic

Despite this context of uncertainty and difficult forecasting, Group's business model is diversified and well-balanced: the Group's diverse sources of revenue allow it to face complex stressors like this crisis. The FinecoBank Group's revenues are based on three main components (banking, brokerage, and investing) whose performance tends to be uncorrelated during periods of crisis.

Group's financial investments, mostly comprising government securities, are held by the Parent Company as long-term investments and are recognised in the Held to Collect portfolio valued at amortised cost; hence their measurement at fair value does not affect the consolidated income statement, the consolidated shareholders' equity or the consolidated own funds even in the absence of transitional provisions to sterilize its effect. With regard to the financial instruments in the trading portfolio, it should be noted that the Group tends not to take risk positions; the positions in the Group's own portfolio consist mainly of over the counter derivative contracts (CFDs and Knock Out Options) traded with customers and hedged for management purposes with listed equities and derivative contracts listed on regulated markets or entered into with institutional counterparties.

The Group is exposed to the sovereign debt of certain Countries, having invested part of its assets in debt securities issued by governments and accounted for, mainly, in "Financial assets at amortised cost" and "Financial assets at fair value through other comprehensive income", therefore any tensions on the government bond market or the volatility of the same could have negative effects on the Group's economic and financial situation.

In line with the guidelines expressed at European level on the assessment of significant increase in credit risk ("SICR"), the COVID-19 health emergency did not change the internal regulations adopted by the Group for the assessment of the creditworthiness of credit exposures, nor the criteria adopted for the staging allocation of retail customers (SICR assessment and classification into stage 1, 2 and 3). Measures taken in the context of the pandemic (such as suspension of loan repayments or late payments), in accordance with the regulatory framework, were not considered an automatic trigger for SICR nor an automatic trigger for classification as forborne exposures. Consistent with the guidance provided by the Supervisory Authorities, until 31 March 2021 moratoria that comply with the requirements established by the EBA have been maintained at Stage 1 of the staging allocation, unless additional factors have occurred that have resulted in a significant increase in credit risk, such as overrunning other credit lines not subject to moratoria by more than 30 days or the receipt of negative information on the customer's creditworthiness from external databases. As at 31 December 2021, there were € 124,000 outstanding moratoria in accordance with EBA guidelines. Following the EBA's non-renewal of its guidelines on legislative and non-legislative moratoria, all new moratoria granted from 1 April 2021 are assessed and classified on a case-by-case basis in accordance with the current prudential and accounting framework. The decisive factor in this respect is the assessment of the debtor's economic difficulty, which is assessed in consideration of the income/equity situation of the beneficiary of the support measure. At 31 December 2021, adopting a prudent approach and following the evidence on the positions that have been granted a moratorium, provisions for these exposures were increased.

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

- subscription to the ABI-Consumer Associations Agreement for the suspension of loans to households as a result of the COVID 19 pandemic valid until 31 March 2021 (personal loans and mortgages other than those meeting the conditions for access to the Gasparrini Fund), in line with the EBA Guidelines;
- introduction of a new unsecured credit line that gives eligible customers an advance on ordinary or extraordinary unemployment benefits while awaiting payment from the appropriate entities.

For both moratoria (CONSAP Fund and ABI agreement), where there are no other additional factors not strictly related to those moratoria, FinecoBank has applied modification accounting, in line with the ESMA guidance. In addition, considering that interest will accrue on suspended payments, no modification losses have been identified.

In order to calculating expected losses, the Group has developed specific models which draw on conservatively-estimated Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure At Default ("EAD") parameters, to which specific adjustments have been made in order to ensure full cohesion with accounting regulations. In this regard, forward-looking information has also been included by drawing up specific scenarios. Expected loss is calculated for institutional counterparties using the credit risk parameters provided by external provider Moody's Analytics. In order to calculate the expected loss, proxies are used for retail counterparties, since no internal rating systems are available: a segmentation by product type is made and the PD is replaced by the average deterioration rate observed from the transition matrices that define the transition to impaired. This approach is based on the assumption that, in the absence of changes in the credit assessment criteria of individual counterparties, future credit quality will be consistent with the credit quality found in the available historical series. In order to implement the provisions of accounting standard IFRS 9, parameter proxies are adjusted by means of prospective analyses called Forward Looking Information. In order to adjust the IFRS 9 risk parameters with forward looking information updated to the crisis caused by the COVID-19 pandemic, the Group uses a series of macroeconomic scenarios prepared by the external provider Moody's Analytics. As expressly recommended by the European Central Bank, these scenarios use a series of macroeconomic variables consistent with the macroeconomic forecasts issued by the latter.

In particular, the forward-looking component is determined by three macroeconomic scenarios, a baseline scenario, a positive scenario and an adverse scenario. The baseline scenario is weighted at 40% as it is consistent with the European Central Bank's macroeconomic forecasts and is considered the most likely to be realised; the positive and adverse scenarios are weighted at 30% and represent alternative realisations, respectively better and worse.

Summary data

A key aspect arising from the new accounting model required to calculate the expected credit loss is the stage allocation model, which transfers exposures between stage 1 and stage 2 (stage 3 being equivalent to impaired exposures), where stage 1 mainly includes new loans and exposures that at the reporting date do not show a significant deterioration in credit risk compared to initial recognition.

With reference to the method of staging allocation of the institutional counterparties with which the Group carries out lending activities, from 2021 the Group replaced the approach based on comparing the PD resulting from UniCredit's internal models at the disbursement date and at the reporting date with the method of comparing the rating at the reporting date with the rating recorded at the opening date of the relationship described above. The method, which makes use of the external rating assigned by the Moody's agency, is also applied to financial instruments acquired by the Group for investment purposes, replacing the previous approach based on the low-risk exemption. The latter approach, expressly provided for by the accounting standard, provides an exemption to the transition to stage 2 for securities that are investment grade at the reporting date and provides for the classification in stage 2 for all financial instruments classified as non-investment grade at the reporting date, regardless of the riskiness of the instrument at the date of purchase. The decision to adopt a new methodology for staging allocation is in no way attributable to the pandemic crisis and has been implemented in full continuity and consistency with the previous approach. There were no changes in the stage of the counterparties included in the scope.

With regard to retail counterparties, in the absence of internal ratings, the Group uses the backstops provided for by the regulations and additional internal evidence. In this context, all exposures that are more than 30 days past due, or for which additional information is available that suggests a deterioration in the counterparty's creditworthiness, are classified as stage 2. For more details, see Part E - Information on risks and related hedging policies of these consolidated notes to the accounts.

At 31 December 2021, there were no significant impacts from the crisis triggered by the COVID-19 pandemic in terms of deterioration of the Group's loan portfolio to ordinary customers. The latter is mainly made up of loans granted by the Parent Bank to retail customers, mainly backed by financial and real estate collateral, and granted in accordance with a careful and prudent lending policy. In the case of mortgage loans, the average loan to value is in fact equal to approximately 51% and the credit lines granted provide for the acquisition of guarantees with conservative margins.

The public health emergency caused by the pandemic and the consequent economic and financial crisis have not affected the Group's overall liquidity, which remained solid and stable. During 2021, despite the pandemic continuing, all liquidity adequacy indicators and analyses were comfortably within the regulatory and internally-established limits. Lastly, FinecoBank experienced no difficulty or worsening of conditions in accessing markets or of the conditions for closing market transactions (repos and securities trading) in terms of volume and price. For more details on liquidity management and liquidity risk, see Part E - Information on risks and related hedging policies of the notes to the consolidated accounts.

With particular reference to the future cash flow projections, assumptions and parameters used to measure the recoverability of Fineco's goodwill, brands and domains recognised in accounts, the parameters and information used are significantly influenced by the macroeconomic market environment, which may change unpredictably in light of the uncertainties outlined above. In this regard, it should be noted that on 16 December 2021, the Board of Directors approved the method for determining the value in use of goodwill, brands and domains (model, assumptions and parameters used). The results, approved by the Board of Directors on 9 February 2022, confirm the sustainability of the goodwill recognised in the financial statements, not highlighting in any of the hypothesised scenarios the need for an impairment loss, 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, please refer to Part B - Information on the Consolidated Balance Sheet - Section 10 - Intangible Assets of the Notes to the consolidated accounts. To this end, it should be further noted that the Bank, unlike many issuers in the financial sector, has a market capitalisation (equal to €9,414 million) higher than its book net equity. On the same date, the Board of Directors approved the methodology for determining the value in use of the investment in Hi-MTF 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.

It should be noted that the Group owns one property for business use and one property for investment use. In order to assess whether there are any indications that the assets may be impaired, also considering the current context of the COVID-19 pandemic, the Bank, at the time of closing its financial statements for the year ended 31 December 2021, requested appraisals from independent third parties which did not reveal any evidence of impairment in accordance with IAS 36.

With regard to the actuarial gains/losses calculated in accordance with IAS19R, in particular in connection with severance pay and the supplementary indemnity reserve (FISC) due to financial advisors, no impacts have been identified resulting from the COVID-19 pandemic. In fact, the current crisis generated by the COVID-19 pandemic has not had any impact on the Group's strategic direction, objectives or business model.

With regard to the application of the standard IFRS 2 "Share-based payments", no changes have been made to the estimated vesting for the share-based payments.

There has also been no impact on the recoverability of the deferred tax assets. The amount of deferred tax assets recognised in the financial statements must be tested for the likelihood that future taxable profit will be earned that will enable their recovery. The test carried out for the closing of the Financial Statements at December 31, 2021 was positive and did not identify any uncertainty in this respect.

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

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full maintenance of service levels and of the framework of controls without interruption. In response to the unforeseen pandemic, in line with ministerial instructions, FinecoBank took direct measures for its employees by extending remote working authorization to all. This was possible thanks to technological initiatives allowing the company to be fully operational (e.g. complete decentralisation of the call center, an essential channel of customer interaction) as well as protections for employees, customers, and the other stakeholders including the network of personal financial advisors authorised for off-site distribution, who have long enjoyed fully paperless internal processes.

With regard to Fineco AM, it continuously monitors the situation generated by the COVID-19 pandemic and its potential impacts, due also to restrictions issued by the various local governments, and it considers that it has not affected its ability to continue its normal operations. Fineco AM's management remains confident in the make-up of the portfolio and continues to assess opportunities to diversify the strategy of the funds under management, although the long-term impacts of COVID-19 on financial markets and the general economy remain uncertain. Since the beginning of 2021, Assets Under Management (AUM) have increased in line with the market recovery: as at 31 December 2021 reached € 24.8 billion, thanks also to total net sales (retail and institutional) of €7.1 billion.

From a structural point of view, the crisis suggests that in the near future there will be an acceleration towards solutions that will lead to a more modern and digitalised 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.

All relevant factors were considered when assessing significant items in the financial statements, including the continuing COVID-19 pandemic and its effects on the real economy. In addition, there is the ongoing conflict between Russia and Ukraine, which has triggered an international crisis whose outcome is currently unpredictable. While considering this context, it is believed that there are no uncertainties regarding the Group's ability to continue as a going concern in the foreseeable future, nor are there any uncertainties that would give rise to significant adjustments to the carrying amounts within the next financial year. However, it is not possible to exclude that the assumptions, due to their nature, reasonably made may not be confirmed in the actual future scenarios in which the Group will operate. In making this assessment, the Group also considered the key regulatory indicators, in terms of point data at 31 December 2021, the relative buffers against the minimum regulatory requirements and the evolution of these in the foreseeable future.

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

Events during the period

Acquisition a stake in Hi-MTF Sim S.p.A.

On 9 February 2021, FinecoBank's Board of Directors approved a binding offer of approximately € 1.25 million to acquire a 20% stake in Hi-MTF Sim S.p.A.. Underlying the transaction is the desire to increase FinecoBank Group's capacity to extract value from the business through vertical integration by way of leveraging the volumes produced by the Group's customers and developing, together with the current shareholders of Hi-MTF Sim S.p.A., a flexible and modern model. The transaction also aims to offer customers increasingly efficient and transparent instruments in line with Fineco's business model. The acquisition was completed in July 2021.

Appointment of KPMG S.p.A. as the independent auditor of FinecoBank S.p.A. for the years 2022-2030

Following the approval of the financial statements of FinecoBank as at 31 December 2021, the mandate given to Deloitte & Touche S.p.A. to conduct the independent auditing of accounts for the nine-year period 2013–2021 will expire. In order to ensure an adequate handover period between the outgoing auditor and the newly appointed auditor, the Board of Directors decided to bring forward the appointment of the new auditor for the financial years 2022-2030, putting to the approval of the 2021 Annual Shareholders' Meeting the reasoned motion drawn up by the Board of Statutory Auditors pursuant to Articles 13(1) and 19(1)(f) of Legislative Decree 39/2010.

FinecoBank's Shareholders' Meeting of 28 April 2021 approved the motion to appoint KPMG S.p.A. as the independent auditor of FinecoBank S.p.A. for the years 2022-2030 and determined the remuneration due as stated in the reasoned motion of the Board of Statutory Auditors.

Realignment of tax values of goodwill to higher book values pursuant to Article 110 of Decree-Law 104 of 2020

The 2021 Stability Law expressly acknowledged the possibility of applying also to goodwill and other intangible assets reported in the financial statements as at 31 December 2019 the tax realignment provisions provided for by Article 110 of Decree-Law No. 104 of 2020 with respect to business assets.

Summary data

In June 2021, the Bank paid the 3% substitute tax on the amount corresponding to the misalignment between the book value and the fiscal value of the goodwill recorded in the financial statements as at 31 December 2019 and still present as at 31 December 2020.

As a result of the aforementioned realignment transaction, the Group recognised income totaling €32 million in these Consolidated Financial Statements, as follows:

- income from the cancellation of the Deferred Tax Liabilities (DTL) previously recognised on the aforementioned goodwill for €24.5 million;
- income arising from the recognition of Deferred Tax Assets (DTA) relating to the expected tax benefit over 50 years (including 2021) in the amount of €10.2 million;
- expenses arising from the payment of the substitute tax of €2.7 million.

As a result of the above realignment, a restriction on taxability in the event of distribution was placed on the Extraordinary Reserve in the amount of € 86.3 million, equal to the amount of the realigned goodwill (€ 89 million) net of the substitute tax paid (€2.7 million).

Issuance of the Senior Preferred security

On 14 October 2021 FinecoBank successfully completed the placement of its first market issue of Senior Preferred instruments, intended for qualified investors, for a nominal amount of € 500 million and a coupon for the first 5 years equal to 0.50%, with a spread equal to 5 years Mid Swap rate + 70 basis points compared to an initial guidance of 5 years Mid Swap rate + 100 basis points. The tightening compared to the initial guidance is one of the most significant for this type of instrument in 2021 both in the Italian and European scenario, thanks to an overall demand exceeding 4 times the supply.

The issue registered an order volume of € 2.02 billion, confirming the appreciation shown by the market towards FinecoBank also in the fixed-income segment.

The placement was made with a view to complying with the fully loaded MREL requirement calculated on the total exposure for the purposes of calculating the Leverage Ratio currently required of FinecoBank Group as from 1 January 2024.

The placement, aimed at institutional investors only, was mainly attended by asset managers (70% of the total) and banks/private banks (33%). The issue was placed mainly with institutional investors in Italy (32%), France (27%), the United Kingdom (11%), Germany and Austria (9%), Benelux (7%), the Nordic countries (6%) and Switzerland (5%).

In detail, the issue has the following characteristics: maturity 6 years with the possibility of a call for the issuer on the fifth year, public placement, intended for trading on the unregulated Global Exchange Market managed by Euronext Dublin, rating equal to BBB (S&P Global Ratings), annual fixed rate coupon for the first 5 years, variable rate between the fifth and sixth year.

Citigroup Global Markets Limited, Mediobanca, Morgan Stanley & Co. Limited and UniCredit Bank AG acted as joint bookrunners and joint lead managers.

Shareholders' Meeting of 21 October 2021

As described above, the Ordinary Shareholders' Meeting of FinecoBank, which met on 21 October 2021, approved the proposal formulated by the Board of Directors on 3 August 2021, which provided for the distribution to Shareholders of a unit dividend of € 0.53 per share, drawn from the available profit reserve. The dividend was paid, in accordance with applicable laws and regulations, on 24 November 2021 with an "ex-dividend" date of 22 November 2021.

Other events during the period

Please note that the proceedings initiated in April 2021 by the Italian Antitrust Authority ("AGCM") against FinecoBank S.p.A., in relation to the communicated amendment of the clause for withdrawing from the current account due to inactivity conditions, adopted by sending all account holders a letter on 18 March 2021 with the subject "Proposal for unilateral amendment of the contract pursuant to Article 118 of Legislative Decree no. 385/93 (TUB)", was concluded on 16 November 2021 without any finding of infringement pursuant to Article 27, paragraph 7, of the "Consumer Code". In the same measure, the Authority also announced that it had decided that the commitments proposed by the Bank on its own initiative were mandatory, as it considered them suitable for eliminating any possible unfairness in the commercial practice under investigation. It should be noted that the commitments made have a totally insignificant impact on the Bank's economic and financial situation.

Summary data

During 2021, the Bank was subjected to inspections by the Bank of Italy, aimed at assessing compliance with regulations on the transparency of banking transactions and services and the correctness of customer relations. The inspection was completed on 16 July 2021 and the inspection report, which contains a positive summary opinion, was delivered on 9 November 2021. An action plan to incorporate the Authority's observations will be completed by 30 June 2022.

Lastly, during the third quarter of 2021, as part of CONSOB's plans for ordinary audits of intermediaries, an audit of procedures relating to the provision of investment services and adjustments to MIFID II regulations began at the Bank.

Condensed financial statements and indicators

With reference to the condensed financial statements and the indicators shown in this Consolidated Management Report, it should be noted that the following changes were made in the 2021 and, for the sake of consistency of comparison, the comparative figures for the 2020 were reclassified:

- in the condensed income statement, the items "of which Net interest" and "of which Profits from Treasury" have been added to form the new item "Financial margin". The items "of which Net interest" includes item 30. "Net interest margin", in the consolidated income statement and other financial margins generated by treasury management, consisting mainly of income from securities lending by the Parent Bank's treasury, recognised under item 40. "Fee and commission income", in the consolidated income statement. “Profits from Treasury" includes profits (losses) from the sale or repurchase of non-impaired debt securities measured at amortised cost or measured at fair value with impact on comprehensive income, recognised in item 100. "Gains and losses on disposal or repurchase of:" of the consolidated income statement, respectively, under the sub-items "a) financial assets at amortised cost" and "b) financial assets at fair value through other comprehensive income". In 2021 financial year, these net gains amounted to €32.1 million (€9 million in 2020 financial year) and were previously reported under the item "Net trading, hedging and fair value income" in the condensed income statement;

- in the condensed income statement, the other operating expenses/income related to the asset manager activity carried out by the subsidiary Fineco AM, concerning the application of the "Fixed Operating Expenses" model, were reclassified from the item "Net other income/expenses" to the item "Net commissions". In 2021, this income amounted to € 4.8 million (€1.6 million in 2020);

- a new item "Tax credits acquired" was added to the condensed balance sheet, which includes the carrying amount of tax credits acquired starting in 2021 under Decree-Law 34/2020;

- finally, as a result of the amendment made by the 7th update of Bank of Italy Circular 262 to the balance sheet item "Cash and cash balances", all "on demand" receivables, in the technical forms of current accounts and deposits, from banks have been presented under the item "Cash and cash balances" in the condensed balance sheet. As at 31 December 2020, these on-demand receivables, which were shown under "Loans and receivables with banks", amounted to € 254 million. For more details on the 7th update of Circular No. 262 "Banks' financial statements: layouts and preparation" of 22 December 2005, issued by the Bank of Italy on 29 October 2021 and applicable starting from the financial statements closed or in progress as at 31 December 2021, please see Part A - Accounting policies of the Notes to the consolidated accounts and of the Notes to the accounts).

For further details on the composition of the reclassified financial statements presented in the consolidated management report, see the "Reconciliation of condensed consolidated accounts to mandatory reporting schedule " and "Reconciliation of condensed consolidated accounts to mandatory reporting schedule" in the Annexes.

It should also be noted that in the 2021 financial year, certain costs associated with the activities of financial advisors and related to services that are part of normal banking activities (in particular the distribution and management of financial products) were reclassified under item 50. "Fee and commission expenses" from item 190. "Administrative expenses" (item 160. "Administrative expenses" in the company financial statements) in order to provide a better representation of both item 120. "Operating income" and item 240. "Operating costs" (item 210. "Operating costs" in the company financial statements). For the sake of consistency of comparison, the comparative figures for the year 2020 shown in the condensed financial statements and indicators presented in this Consolidated Report on operation have been restated. In this regard, it should be noted that these costs, recognised at 31 December 2021 under item 50. "Fee and commission expenses" amounted to €32.5 million and at 31 December 2020 amounted to €26.6 million. On the other hand, no reclassifications were made to the comparative figures shown in the consolidated financial statements and the company financial statements included in this Report.

Finally, as described in the Introduction to the Annual Reports and Accounts, all data and Alternative Performance Indicators ("APIs") presented in this Consolidated Report on operations refer to the condensed income statement and condensed balance sheet, the reconciliation of which with the consolidated and company financial statements is provided in the Annexes (in line with Consob Communication no. 6064293 of 28 July 2006). With

Summary data

reference to Alternative Performance Indicators ("APIs"), the European Securities and Markets Authority (ESMA) has issued specific guidelines[4] on the criteria for their presentation in regulated information, including therefore the Annual Report, when such indicators are not defined or provided for in the financial reporting framework. These guidelines are intended to promote the usefulness and transparency of APIs, and compliance with them will improve the comparability, reliability and understandability of APIs, with consequent benefits for users of financial information. Consob has transposed the Guidelines in Italy and incorporated them into its own supervisory practices[5]. According to the definition of the ESMA Guidelines, an API is an indicator of historical or future financial performance, financial position or cash flows that is different from a financial indicator defined or specified in applicable financial reporting frameworks and is usually derived from financial statement items prepared in accordance with applicable financial reporting frameworks. Indicators published in accordance with prudential requirements are not strictly speaking part of the definition of an API. Explanatory descriptions of the content of APIs and, where applicable, the methods of calculation used are provided in the Glossary.

[4] ESMA/2015/1415

[5] Consob Communication No. 0092543 of 3 December 2015

Summary data

Condensed Accounts

Consolidated balance sheet

(Amounts in € thousand)

	Amounts as at		Changes	
ASSETS	**12/31/2021**	**12/31/2020**	**Amounts**	**%**
Cash and cash balances	1,464,182	2,014,399	(550,217)	-27.3%
Financial assets held for trading	20,240	16,997	3,243	19.1%
Loans and receivables with banks	379,862	526,422	(146,560)	-27.8%
Loans and receivables with customers	6,001,596	4,527,837	1,473,759	32.5%
Financial investments	24,560,350	23,939,899	620,451	2.6%
Hedging instruments	125,913	74,451	51,462	69.1%
Property, plant and equipment	150,347	151,872	(1,525)	-1.0%
Goodwill	89,602	89,602	-	-
Other intangible assets	39,084	39,597	(513)	-1.3%
Tax assets	42,974	13,314	29,660	222.8%
Tax credits acquired	508,764	-	508,764	-
Other assets	484,261	360,627	123,634	34.3%
Total assets	**33,867,175**	**31,755,017**	**2,112,158**	**6.7%**

(Amounts in € thousand)

	Amounts as at		Changes	
LIABILITIES AND SHAREHOLDERS' EQUITY	**12/31/2021**	**12/31/2020**	**Amounts**	**%**
Deposits from banks	1,225,213	1,064,859	160,354	15.1%
Deposits from customers	29,847,722	28,359,739	1,487,983	5.2%
Debt securities in issue	497,266	-	497,266	-
Financial liabilities held for trading	4,417	5,889	(1,472)	-25.0%
Hedging instruments	65,263	232,102	(166,839)	-71.9%
Tax liabilities	35,864	13,954	21,910	157.0%
Other liabilities	464,633	391,349	73,284	18.7%
Shareholders' equity	1,726,797	1,687,125	39,672	2.4%
- capital and reserves	*1,351,963*	*1,366,387*	*(14,424)*	-1.1%
- revaluation reserves	*(5,877)*	*(2,833)*	*(3,044)*	107.4%
- net profit	*380,711*	*323,571*	*57,140*	17.7%
Total liabilities and Shareholders' equity	**33,867,175**	**31,755,017**	**2,112,158**	**6.7%**

Summary data

Consolidated balance sheet - Quarterly data

(Amounts in € thousand)

	Amounts as at				
ASSETS	12/31/2021	09/30/2021	06/30/2021	03/31/2021	12/31/2020
Cash and cash balances	1,464,182	2,031,291	1,861,776	1,468,672	2,014,399
Financial assets held for trading	20,240	23,589	21,393	26,233	16,997
Loans and receivables with banks	379,862	397,493	392,272	433,692	526,422
Loans and receivables with customers	6,001,596	5,624,283	5,269,368	4,638,732	4,527,837
Financial investments	24,560,350	24,421,922	24,626,581	25,372,229	23,939,899
Hedging instruments	125,913	91,929	85,051	84,464	74,451
Property, plant and equipment	150,347	151,866	153,030	148,041	151,872
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	39,084	37,270	38,189	39,048	39,597
Tax assets	42,974	49,405	38,323	7,595	13,314
Tax credits acquired	508,764	393,970	75,065	8,789	-
Other assets	484,261	221,546	254,110	270,943	360,627
Total assets	**33,867,175**	**33,534,166**	**32,904,760**	**32,588,040**	**31,755,017**

(Amounts in € thousand)

	Amounts as at				
LIABILITIES AND SHAREHOLDERS' EQUITY	12/31/2021	09/30/2021	06/30/2021	03/31/2021	12/31/2020
Deposits from banks	1,225,213	1,168,612	1,172,802	1,149,224	1,064,859
Deposits from customers	29,847,722	29,804,975	29,141,477	29,102,456	28,359,739
Debt securities in issue	497,266	-	-	-	-
Financial liabilities held for trading	4,417	6,234	4,937	8,123	5,889
Hedging instruments	65,263	90,522	118,586	139,836	232,102
Tax liabilities	35,864	73,768	35,666	49,169	13,954
Other liabilities	464,633	420,583	534,610	355,897	391,349
Shareholders' equity	1,726,797	1,969,472	1,896,682	1,783,335	1,687,125
- capital and reserves	*1,351,963*	*1,683,389*	*1,681,875*	*1,690,311*	*1,366,387*
- revaluation reserves	*(5,877)*	*(3,175)*	*(1,863)*	*(1,720)*	*(2,833)*
- net profit	*380,711*	*289,258*	*216,670*	*94,744*	*323,571*
Total liabilities and Shareholders' equity	**33,867,175**	**33,534,166**	**32,904,760**	**32,588,040**	**31,755,017**

Summary data

Consolidated Income Statement

(Amounts in € thousand)

	Year		Changes	
	2021	2020	Amounts	%
Financial margin	280,030	279,733	297	0.1%
of which Net interest	247,889	270,728	(22,839)	-8.4%
of which Profits from Treasury	32,141	9,005	23,136	256.9%
Dividends and other income from equity investments	(26)	-	(26)	-
Net fee and commission income	450,808	379,351	71,457	18.8%
Net trading, hedging and fair value income	74,308	86,769	(12,461)	-14.4%
Net other expenses/income	(1,310)	1,933	(3,243)	-167.8%
REVENUES	**803,810**	**747,786**	**56,024**	**7.5%**
Staff expenses	(109,600)	(99,546)	(10,054)	10.1%
Other administrative expenses	(262,546)	(228,536)	(34,010)	14.9%
Recovery of expenses	139,471	110,512	28,959	26.2%
Impairment/write-backs on intangible and tangible assets	(26,218)	(25,440)	(778)	3.1%
Operating costs	**(258,893)**	**(243,010)**	**(15,883)**	**6.5%**
OPERATING PROFIT (LOSS)	**544,917**	**504,776**	**40,141**	**8.0%**
Net impairment losses on loans and provisions for guarantees and commitments	(1,655)	(3,344)	1,689	-50.5%
NET OPERATING PROFIT (LOSS)	**543,262**	**501,432**	**41,830**	**8.3%**
Other charges and provisions	(49,938)	(34,076)	(15,862)	46.5%
Net income from investments	1,079	(6,262)	7,341	117.2%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**494,403**	**461,094**	**33,309**	**7.2%**
Income tax for the year	(113,692)	(137,523)	23,831	-17.3%
PROFIT (LOSS) FOR THE YEAR	**380,711**	**323,571**	**57,140**	**17.7%**
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP	**380,711**	**323,571**	**57,140**	**17.7%**

Summary data

Consolidated Income Statement - Quarterly data

(Amounts in € thousand)

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

Summary data

(Amounts in € thousand)

	2020			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Financial margin	71,983	75,067	68,559	64,124
of which Net interest	68,164	70,065	68,645	63,854
of which Profits from Treasury	3,819	5,002	(86)	270
Net fee and commission income	95,900	98,639	92,253	92,559
Net trading, hedging and fair value income	22,575	25,086	20,274	18,834
Net other expenses/income	570	822	169	372
REVENUES	**191,028**	**199,614**	**181,255**	**175,889**
Staff expenses	(24,007)	(24,886)	(24,647)	(26,006)
Other administrative expenses	(51,203)	(56,935)	(56,240)	(64,158)
Recovery of expenses	23,807	28,456	28,438	29,811
Impairment/write-backs on intangible and tangible assets	(6,058)	(6,210)	(6,373)	(6,799)
Operating costs	**(57,461)**	**(59,575)**	**(58,822)**	**(67,152)**
OPERATING PROFIT (LOSS)	**133,567**	**140,039**	**122,433**	**108,737**
Net impairment losses on loans and provisions for guarantees and commitments	(963)	(2,707)	148	178
NET OPERATING PROFIT (LOSS)	**132,604**	**137,332**	**122,581**	**108,915**
Other charges and provisions	(1,124)	(6,512)	(31,970)	5,530
Net income from investments	(89)	(3,729)	(181)	(2,263)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**131,391**	**127,091**	**90,430**	**112,182**
Income tax for the period	(39,960)	(38,348)	(25,256)	(33,959)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**91,431**	**88,743**	**65,174**	**78,223**
NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	**91,431**	**88,743**	**65,174**	**78,223**

Summary data

Main balance sheet figures

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amounts	%
Loans receivable with ordinary customers [1]	5,416,604	4,008,307	1,408,297	35.1%
Total assets	33,867,175	31,755,017	2,112,158	6.7%
Direct deposits [2]	29,495,292	28,013,982	1,481,310	5.3%
Assets under administration [3]	78,420,121	63,695,135	14,724,986	23.1%
Total customers sales (direct and indirect)	107,915,413	91,709,117	16,206,296	17.7%
Shareholders' equity	1,726,797	1,687,125	39,672	2.4%

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

Operating structure

	Data as at	
	12/31/2021	12/31/2020
No. Employees	1,305	1,262
No. Personal financial advisors	2,790	2,606
No. Financial shops [1]	424	410

(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	
	12/31/2021	12/31/2020
Financial margin/Revenues	34.84%	37.41%
Income from brokerage and other income/Revenues	65.16%	62.59%
Income from brokerage and other income/Operating costs	202.33%	192.61%
Cost/income ratio	32.21%	32.50%
Operating costs/TFA	0.26%	0.28%
Cost of risk	4 bp	10 bp
CoR (incentive system)	3 bp	10 bp
ROE	23.91%	21.07%
Return on assets	1.12%	1.02%
EVA (calculated on allocated capital)	340,177	277,447
EVA (calculated on accounting capital)	243,881	184,038
RARORAC (calculated on allocated capital)	62.44%	54.25%
RARORAC (calculated on accounting capital)	13.26%	11.90%
ROAC (calculated on allocated capital)	69.88%	63.27%
ROAC (calculated on accounting capital)	20.70%	20.92%
Total sales to customers/Average employees	84,079	73,751
Total customer sales/(Average employees + average PFAs)	27,104	24,026

For the sake of consistency, some 2020 economic ratios have been recalculated following the reclassifications made to the reclassified financial statements, as described in the "Introduction to the Annual Reports and Accounts".

Key

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

Cost/income ratio: Operating Costs divided by Revenues.

Operating costs/TFA: ratio of operating costs to Total Financial Assets. The TFA used for the ratio is the average for the year, calculated as the average between the balance as at December 31, 2021 and the balance as at the previous December 31.

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

CoR (incentive system): is the ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the balance as at December 31, 2021 and the balance at December 31 of the previous year). The scope of the exposures excludes positions deriving from bonds and advances to personal financial advisors.

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

Return on assets: ROA: ratio of net profit after tax to total assets.

EVA (Economic Value Added): shows the firm's ability to create value; calculated as the difference between net profit, excluding extraordinary charges/income and related tax effects (integration costs and net profits from extraordinary investments), and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital[6] absorbed either using the book value of shareholders' equity (average of single end quarters).

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

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

[6] Allocated capital is the greater of regulatory capital and economic capital.

Summary data

Balance Sheet indicators

	Data as at	
	12/31/2021	12/31/2020
Loans receivable with ordinary customers/Total assets	15.99%	12.62%
Loans and receivables with banks/Total assets	1.12%	1.66%
Financial assets/Total assets	72.52%	75.39%
Direct sales/Total liabilities and Shareholders' equity	87.09%	88.22%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	5.10%	5.31%
Ordinary customer loans/Direct deposits	18.36%	14.31%

Credit quality	Data as at	
	12/31/2021	12/31/2020
Non-performing loans/Loans receivable with ordinary customers	0.08%	0.09%
Bad loans/Loans receivable with ordinary customers	0.04%	0.05%
Coverage [1] - Bad loans	88.70%	90.29%
Coverage [1] - Unlikely to pay	66.10%	68.92%
Coverage [1] - Impaired past-due exposures	50.05%	63.82%
Coverage [1] - Total Non-performing loans	82.15%	86.15%

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

Consolidated Own funds and capital ratios

	Data as at	
	12/31/2021	12/31/2020
Common Equity Tier 1 Capital (€ thousand)	868,214	1,088,909
Total Own Funds (€ thousand)	1,368,214	1,588,909
Total risk-weighted assets (€ thousand)	4,617,709	3,812,385
Ratio - Common Equity Tier 1 Capital	18.80%	28.56%
Ratio - Tier 1 Capital	29.63%	41.68%
Ratio - Total Own Funds	29.63%	41.68%

	Data as at	
	12/31/2021	12/31/2020
Tier 1 Capital (€ thousand)	1,368,214	1,588,909
Exposure for leverage (€ thousand)	34,045,310	32,792,126
Leverage ratio	4.02%	4.85%

The Group's prudential requirements as at 31 December 2021 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26, 2013 and subsequent Directives/Regulations amending their content, in particular Directive (EU) 878/2019 (CRD V), Regulation (EU) 876/2019 (CRR II) and Regulation (EU) 873/2020 of the European Parliament and of the Council (CRR Quick-fix), which transpose into the European Union the standards defined by the Basel Committee on

Summary data

Banking Supervision (Basel III framework), collected and implemented by the Bank of Italy through Circular No. 285 of 17 December 2013 "Supervisory Provisions for Banks" and subsequent updates.

As at 31 December 2021 the Consolidated Own funds amounted to € 1,368.2 million, including the profit for 2021, equal to € 380.7 million, net of dividends to be distributed totaling € 237.9 million, which the Board of Directors will propose for approval at the Shareholders' Meeting called for 28 April 2022, and foreseeable charges of € 1.5 million, represented by the coupons, net of the related taxation, accrued on the Additional Tier 1 financial instruments issued by FinecoBank, assuming that the conditions provided for in Art. 26 (2), of EU Regulation 575/2013 (CRR) are met.

It should be noted the Common Equity Tier 1 Capital and that the Own Funds as at 31 December 2020 included the profits for the years 2019 and 2020, which were entirely allocated to reserves in line with the recommendations of the European Central Bank and the Bank of Italy on dividend policy in force at the time. As previously described, following the decision of the European Central Bank and the Bank of Italy not to extend their recommendations on dividend distribution beyond September 2021, FinecoBank's Ordinary Shareholders' Meeting, which met on 21 October 2021, approved the proposal to distribute a dividend, drawn from the available profit reserves, totaling € 323.2 million, with a consequent reduction in Own Funds.

The increase in Risk-Weighted Assets in 2021 is mainly driven by credit risk, due to the growth of the business and, in particular, to lending to customers and financial investments, also following the different regulatory treatment of exposures to UK counterparties due to Brexit. In addition, the update of the Relevant Indicator, with the inclusion of 2021 revenues and the exclusion of 2018 revenues, and the introduction of the new SA-CCR methodology required by CRR II generated an increase in operational risk and counterparty risk respectively.

With reference to the capital requirements applicable to FinecoBank, it should be noted that, further to the Supervisory Review and Evaluation Process (SREP), Bank of Italy communicated in August 2020 the capital requirements for the Group applicable from September 2020.

These requirements are:

- 8.04% of CET1 ratio, including the Pillar II requirement (P2R) equal to 1.04%
- 9.90% of Tier1 ratio, including the Pillar II requirement (P2R) equal to 1.40%
- 12.36% of Total Capital ratio, including the Pillar II requirement (P2R) equal to 1.86%

Summary data

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

Requirements	CET1	T1	TOTAL CAPITAL
A) Pillar 1 requirements	4.500%	6.000%	8.000%
B) Pillar 2 requirements	1.040%	1.400%	1.860%
C) TSCR (A+B)	**5.540%**	**7.400%**	**9.860%**
D) Combined Buffer requirement, of which:	2.505%	2.505%	2.505%
1. Capital Conservation Buffer (CCB)	2.500%	2.500%	2.500%
2. Institution-specific Countercyclical Capital Buffer (CCyB)	0.005%	0.005%	0.005%
E) Overall Capital Requirement (C+D)	**8.045%**	**9.905%**	**12.365%**

As at 31 December 2021, Group ratios are compliant with all the above requirements.

With regard to the Leverage ratio, it should be noted that, in view of the provisions contained in the European Central Bank and the Bank of Italy communications of 18 June 2021 and 30 June 2021 respectively, declaring the existence of exceptional circumstances that began on 31 December 2019, starting from the reference date of 30 June 2021, the FinecoBank Group has applied the provisions of Article 429 bis of the CRR, which allows certain exposures to central banks to be excluded from the overall Leverage exposure in light of the COVID-19 pandemic. As at 31 December 2021, the value of the exemption is equal to € 1,554 million, with an impact on the indicator of +0.18%. The leverage ratio stands at 4.02%, which is well above the applicable minimum regulatory requirement (adjusted leverage ratio) of 3.19%.

Finally, it should be noted that, at the end of the administrative process related to the determination of the Minimum Requirements of Own Funds and Eligible Liabilities (MREL), in August 2021 FinecoBank has received from Bank of Italy, in agreement with the SRB, the Resolution decision. The Bank shall comply with MREL on a consolidated basis, starting from 1st of January 2024, with an intermediate binding target from 1st of January 2022. In particular, FinecoBank must comply with a MREL requirement at a level of 18.33% of TREA (Total Risk Exposure Amount) – 20.83% including the Combined Buffer Requirement – and of 5.18% of LRE (Leverage Ratio Exposure), with an intermediate target at 4.11% from 1st of January 2022. In order to comply with the requirements and the calculation of other eligible liabilities issued by Fineco, there is no subordination requirement in the issuance of eligible MREL instruments (e.g. Senior unsecured). As at 31 December 2021, the Group complied with the above-mentioned requirements, also thanks to the placement on October 14th, 2021 of the first issue on the market of Senior Preferred instruments, addressed to qualified investors, for a total amount of approximately € 500 million.

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 26 June 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 and to anticipate some measures set out in the CRR II, with the aim to support institution in their role in financing the real economy in the context of COVID-19 pandemic. The main measures, still in force, are:

- the introduction of a period of temporary treatment, from 1 January 2020 to 31 December 2022, during which institutions may remove from the calculation of their Common Equity Tier 1 the amount of unrealized gains and losses accumulated since 31 December 2019 accounted for as 'fair value changes of debt instruments measured at fair value through other comprehensive income' in the balance sheet, corresponding to exposures to central governments, to regional governments or to local authorities referred to in Article 115(2) of CRR and to public sector entities referred to in Article 116(4) of CRR, excluding those financial assets that are impaired (Temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic); Group decided not to make use of the temporary treatment as at 31 December 2021;
- the postponement until 31 December 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"). The Group decided not to make use of the temporary treatment as at 31 December 2021;
- the reactivation of the temporary treatment of public debt issued in the currency of another Member State until 31 December 2014, which allows institutions to apply a more favorable risk weight, which gradually increases until the end of the transitional period, and is applicable to exposures to the central governments and central banks of Member States, where those exposures are denominated and funded in the domestic currency of another Member State ("Temporary treatment of public debt issued in the currency of another Member State"). This treatment had no impact on the Group's RWA as at 31 December 2021.

For further details on the composition of own funds, changes during the period with reference to Risk-weighted Assets and Exposure for leverage purposes and the measures introduced by the Supervisory Authorities in the context of the COVID-19 pandemic, please refer to the information contained in the document "Public disclosure of the FinecoBank Group - Pillar III as at 31 December 2021" published on the Company's website www.finecobank.com.

Summary data

Market share

Trading on Italian Stock Market (Assosim)	12/31/2021	12/31/2020
Third party volumes traded on MTA	26.08%	27.82%
Classification of third-party volumes traded on MTA	1	1

Personal financial advisors (Assoreti)	09/30/2021	12/31/2020
Stock volumes	12.18%	11.93%
Stock Classification	3	3

Personal financial advisors (Assoreti)	12/31/2021	12/31/2020
Net Sales volumes	17.21%	18.41%
Net Sales Classification	2	2

	09/30/2021	12/31/2020
Market share - Total Financial Assets	2.08%	1.95%
Market share - Direct Deposits	1.60%	1.60%
Market share - Assets under Administration	2.46%	2.24%

Some of the above figures refer to September 30, 2021 as they are the latest figures available.

Business performance

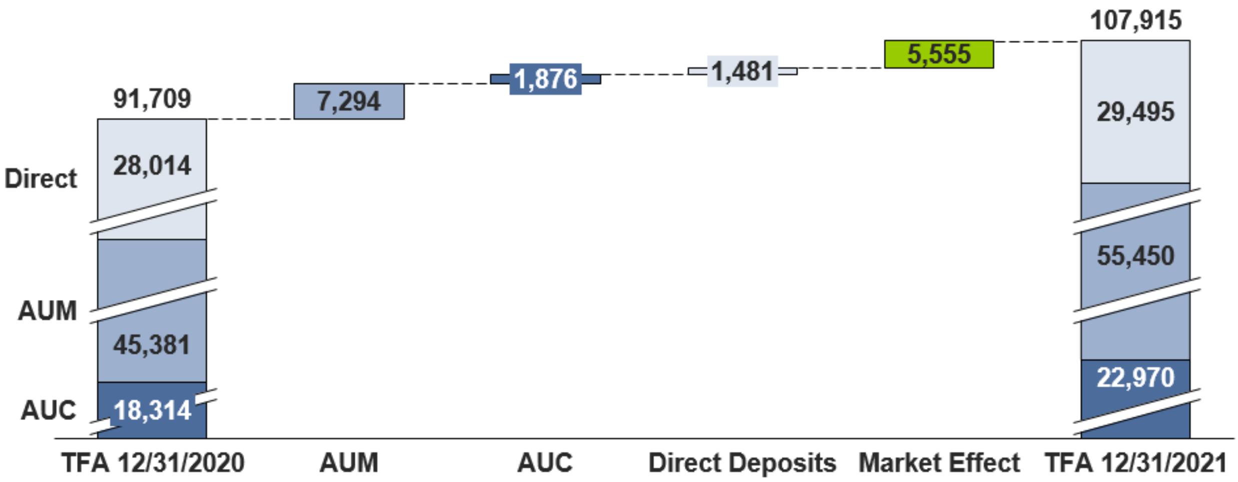
Performance of total financial assets

The Group closed 2021 with extremely robust inflows figures that confirm the strong growth trend highlighted throughout the year. The steady acceleration in assets under management confirms the effectiveness of the Group's business model and the ability of financial advisors to accompany clients in their investment choices, to which is added FAM's efficiency in completing its development plan in advance, which has enabled the Group to be correctly positioned to seize the opportunities that will open up in 2022.

At the end of 2021 Assets under administration (Assets under Management-AUM plus Assets under Custody-AUC) came to € 78,420 million increased by 23.1% compared to December 31, 2020, thanks to net sales of € 9,170 million recorded in the 2021 and a positive market effect of approximately € 5,555 million.

Direct deposits showed growth of 5.3% compared to the end of the previous year, to reach € 29,495 million and confirming the high level of appreciation of the quality of the services offered by the Group among customers. Indeed, the majority of direct deposits were “transactional”, supporting customers’ overall operations. The increase in this component of sales confirms the high and increasing degree of customer loyalty, which in turn contributes to improving the stability of direct sales.

Total financial assets (direct and indirect) thus reached € 107,915 million, up 17.7% compared to the end of 2020, thanks to a total net sales of € 10,651 million recorded in the 2021. The quality of sales was also confirmed, which shows a percentage impact of “Guided products & services[7] on TFA of 39.2%, up from the 36.4% recorded at 31 December 2020, and on Assets under Management of 76.3%, an improvement compared to 73.6% recorded at the end of 2020, thanks to the continuous refinement of the offer.



AUC = *Asset Under Custody*
AUM = *Asset Under Management*
TFA = *Total Financial Asset (direct and indirect)*

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

Business performance

The table below shows the figures for the balance of direct and indirect deposits of the Bank's customers, including both those linked to a personal financial advisor and those operating exclusively through the online channel. The overall balance, equal to € 107,915 million, shown a growth of 17.7% compared to December 31, 2020, thanks to a total net sales of € 10,651 million and a positive market effect.

Total financial assets

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	12/31/2021	Comp%	12/31/2020	Comp%	Absolute	%
Current accounts and demand deposits	29,495,291	27.3%	28,013,775	30.5%	1,481,516	5.3%
Time deposits and reverse repos	1	0.0%	207	0.0%	(206)	-99.5%
DIRECT DEPOSITS	**29,495,292**	**27.3%**	**28,013,982**	**30.5%**	**1,481,310**	**5.3%**
Segregated accounts	329,710	0.3%	209,329	0.2%	120,381	57.5%
UCITS and other investment funds	38,052,645	35.3%	31,577,808	34.4%	6,474,837	20.5%
Insurance products	14,962,876	13.9%	11,818,687	12.9%	3,144,189	26.6%
Asset under custody and Direct deposits under advisory	2,104,995	2.0%	1,775,626	1.9%	329,369	18.5%
ASSETS UNDER MANAGEMENT BALANCE	**55,450,226**	**51.4%**	**45,381,450**	**49.5%**	**10,068,776**	**22.2%**
Government securities, bonds and stocks	22,969,895	21.3%	18,313,685	20.0%	4,656,210	25.4%
ASSETS UNDER CUSTODY	**22,969,895**	**21.3%**	**18,313,685**	**20.0%**	**4,656,210**	**25.4%**
TOTAL FINANCIAL ASSETS	**107,915,413**	**100.0%**	**91,709,117**	**100.0%**	**16,206,296**	**17.7%**
of which Guided products & services	42,304,154	39.2%	33,420,198	36.4%	8,883,956	26.6%

The table below shows the figures for direct and indirect deposits solely for the personal financial advisors network customers. Total financial assets, amounting to € 94,631 million, increased by 18.8% compared to December 31, 2020, thanks to net sales of € 9,869 million and a positive market effect.

Total financial assets - Personal Financial Advisors Network

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	12/31/2021	Comp %	12/31/2020	Comp %	Absolute	%
Current accounts and demand deposits	22,689,292	24.0%	21,127,063	26.5%	1,562,229	7.4%
Time deposits and reverse repos	1	0.0%	180	0.0%	(179)	-99.4%
DIRECT DEPOSITS	**22,689,293**	**24.0%**	**21,127,243**	**26.5%**	**1,562,050**	**7.4%**
Segregated accounts	329,710	0.3%	209,329	0.3%	120,381	57.5%
UCITS and other investment funds	37,557,343	39.7%	31,154,844	39.1%	6,402,499	20.6%
Insurance products	14,899,834	15.7%	11,754,021	14.8%	3,145,813	26.8%
Asset under custody and Direct deposits under advisory	2,104,977	2.2%	1,775,603	2.2%	329,374	18.6%
ASSETS UNDER MANAGEMENT BALANCE	**54,891,864**	**58.0%**	**44,893,797**	**56.4%**	**9,998,067**	**22.3%**
Government securities, bonds and stocks	17,049,982	18.0%	13,622,934	17.1%	3,427,048	25.2%
ASSETS UNDER CUSTODY	**17,049,982**	**18.0%**	**13,622,934**	**17.1%**	**3,427,048**	**25.2%**
TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK	**94,631,139**	**100.0%**	**79,643,974**	**100.0%**	**14,987,165**	**18.8%**
of which Guided products & services	42,240,277	44.6%	33,379,535	41.9%	8,860,742	26.5%

Business performance

The table below shows the figures for net direct sales, assets under management and assets under administration during the 2021 compared with the same period of the previous year, for both customers linked to a personal financial advisor and online-only customers. Net sales came to € 10,651 million, increased by 14.7% compared with 2020.

Net sales

(Amounts in € thousand)

	Year 2021	Comp %	Year 2020	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	1,481,516	13.9%	2,506,757	27.0%	(1,025,241)	-40.9%
Time deposits and reverse repos	(211)	-0.0%	(1,141)	-0.0%	930	-81.5%
DIRECT DEPOSITS	**1,481,305**	**13.9%**	**2,505,616**	**27.0%**	**(1,024,311)**	**-40.9%**
Segregated accounts	106,554	1.0%	109,914	1.2%	(3,360)	-3.1%
UCITS and other investment funds	4,370,511	41.0%	2,332,735	25.1%	2,037,776	87.4%
Insurance products	2,660,329	25.0%	1,609,464	17.3%	1,050,865	65.3%
Asset under custody and Direct deposits under advisory	156,457	1.5%	243,728	2.6%	(87,271)	-35.8%
ASSETS UNDER MANAGEMENT	**7,293,851**	**68.5%**	**4,295,841**	**46.3%**	**2,998,010**	**69.8%**
Government securities, bonds and stocks	1,875,915	17.6%	2,481,734	26.7%	(605,819)	-24.4%
ASSETS UNDER ADMINISTRATION	**1,875,915**	**17.6%**	**2,481,734**	**26.7%**	**(605,819)**	**-24.4%**
NET SALES	**10,651,071**	**100.0%**	**9,283,191**	**100.0%**	**1,367,880**	**14.7%**
of which Guided products & services	6,793,943	63.8%	4,209,227	45.3%	2,584,716	61.4%

The table below shows the figures for net direct sales, assets under management and assets under administration solely for the personal financial advisors network customers during the 2021 compared to the previous year. Net sales amount to € 9,869 million, shown a growth of 23.6% compared to the end of 2020.

Net sales - Personal Financial Advisors Network

(Amounts in € thousand)

	Year 2021	Comp %	Year 2020	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	1,562,229	15.8%	2,001,924	25.1%	(439,695)	-22.0%
Time deposits and reverse repos	(183)	0.0%	(1,067)	0.0%	884	-82.8%
DIRECT DEPOSITS	**1,562,046**	**15.8%**	**2,000,857**	**25.1%**	**(438,811)**	**-21.9%**
Segregated accounts	106,554	1.1%	109,914	1.4%	(3,360)	-3.1%
UCITS and other investment funds	4,307,013	43.6%	2,319,691	29.1%	1,987,322	85.7%
Insurance products	2,663,199	27.0%	1,611,613	20.2%	1,051,586	65.3%
Asset under custody and Direct deposits under advisory	156,819	1.6%	243,875	3.1%	(87,056)	-35.7%
ASSETS UNDER MANAGEMENT	**7,233,585**	**73.3%**	**4,285,093**	**53.7%**	**2,948,492**	**68.8%**
Government securities, bonds and stocks	1,073,735	10.9%	1,698,299	21.3%	(624,564)	-36.8%
ASSETS UNDER ADMINISTRATION	**1,073,735**	**10.9%**	**1,698,299**	**21.3%**	**(624,564)**	**-36.8%**
NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK	**9,869,366**	**100.0%**	**7,984,249**	**100.0%**	**1,885,117**	**23.6%**
of which Guided products & services	6,773,803	68.6%	4,203,076	52.6%	2,570,727	61.2%

Business performance

Performance of main income statement aggregates

Revenues amounted to €803.8 million, registering a 7.5% increase compared to the €747.8 million recorded in 2020, mainly thanks to the contribution of **Net fee and commission income**, which grew by €71.5 million (+18.8% y/y), and **Profits from Treasury**, up by €23.1 million, which offset the reduction in Net Interest (-€22.8 million) and the **Net trading, hedging and fair value income** (-€12.5 million); in this regard, it should be recalled that the market environment in 2020, particularly in the first half of the year, had been characterised by strong volatility, which had led to a significant increase in internalised volumes (+125% compared to 2019).

Financial margin was stable compared to the previous year (+€0.3 million) thanks to Profits from Treasury, amounting to €32.1 million (€9 million in 2020), which offset the decrease in the interest margin caused mainly by the fall in market interest rates (-€22.9 million). In fact, the yields on securities subscribed in 2021 were lower than those on UniCredit S.p.A. securities, which reached their natural maturity in 2021, and which had been subscribed in a more favourable market environment. The average gross rate on the interest-earning assets stood at 0.80% (1.00% as at 31 December 2020).

Net fee and commission income showed an increase of € 71.5 million compared to the previous year, mainly attributable to commissions generated by Investing (+€ 63.5 million) thanks to the increase in average assets under management, generated by net inflows and the positive market effect, and to the greater contribution of Fineco AM. In this regard, it should be noted that the ratio of Guided Products and Services to total assets under management stood at 76% at 31 December 2021 compared to 73% at 31 December 2020. During 2021, the subsidiary Fineco AM generated net commissions of € 98.2 million. There was also growth in commissions generated by the Banking segment (+€ 15 million), while net commissions relating to the Brokerage segment decreased (-€ 7.3 million), due to a market environment characterised by lower volatility than in 2020, while still maintaining a high value thanks to the increase in the customer base operating on the Bank's platform and the review of the offer.

Net trading, hedging and fair value income was mainly generated by profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency, which shows a reduction of €12.5 million compared to the previous year. In this context, it should be noted that the increase in the number of customers operating on the Bank's platform, the expansion of market share and the review of the offer made it possible to partially offset the reduction compared to the extremely positive results recorded in 2020 thanks to the market context which had been characterised by strong volatility.

Operating costs highlight an increased by € 15.9 million compared to the previous year (+€ 10.1 million for "Staff expenses", +€ 5 million for "Other administrative expenses net of Recovery of expenses" and + € 0.8 million for "Impairment/write-backs on intangible and tangible assets"). The 6.5% 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 32.2% (32.5% at 31 December 2020) confirming the Group's strong operating leverage and widespread corporate culture of cost management.

Net write-downs of loans and provisions for guarantees and commitments in 2021 amounted to -€ 1.7 million (-€ 3.3 million in 2020) and benefit from write-backs due to the improvement of the macroeconomic scenario for an amount of approximately € 2 million, determined on the basis of the evidence resulting from the IFRS9 impairment models.

Other charges and provisions amounted to € 49.9 million, up 46.5% on 2020. Specifically, there was an increase in the contributions paid to the Interbank Deposit Guarantee Fund under the Deposit Guarantee Scheme (DGS) totalling € 32.3 million compared to € 25.9 million paid in the previous year, primarily due to the increase in ordinary contributions required from members for the year 2021. In addition, in 2021 the ordinary annual contribution required for the year 2020, in accordance with Directive 2014/59/EU (Single Resolution Fund), was recognised in the amount of € 5.8 million (€ 0.7 million for 2020), and the additional contributions to the National Resolution Fund pursuant to Article 1, paragraph 848, of Law no. 208/2015 recalled by the Bank of Italy from the banking system, in the amount of € 1.9 million (€ 0.2 million for 2020).

The **Net income from investments** stood at € 1.1 million showing an increase of € 7.4 million compared to 2020 and benefit from reversals of impairment losses due to the improvement in the macroeconomic scenario for an amount of approximately € 3.1 million, determined on the basis of the evidence resulting from the IFRS9 impairment models. It should be noted that in 2020, the updated macroeconomic scenarios had led to impairment losses of approximately € 5.5 million.

Profit before tax from continuing operations amounted to € 494.4 million, up 7.2% compared to the previous year, mainly thanks to higher Net fee and commission income, partially offset by a reduction in Net trading, hedging and fair value income, an increase in Operating costs and higher systemic charges recognised in Other charges and provisions. It should be noted that the result also benefited from the reversal of impairment losses recognised in Net write-downs of loans and provisions for guarantees and commitments and in Net income from investments due to the improvement in the macroeconomic environment. Excluding the non-recurring items 2021 mentioned before[8], the Profit before tax from continuing operations should be € 495.1 million, up 7.1% compared to 2020 net of non-recurring items[9].

As described above, **Income tax for the year** include the tax benefit, amounting to €32 million, deriving from the realignment of goodwill pursuant to Article 110 of Legislative Decree 104/2020. The aforementioned provision entailed, against the payment of the substitute tax on the realignment of € 2.7 million, the release to the income statement of pre-existing IRES deferred tax liabilities of € 24.5 million and the recognition of IRES deferred tax assets of € 8.5 million and IRAP of € 1.7 million.

[8] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 0.7 million (gross of the tax effect).
[9] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 1.4 million (gross of the tax effect).

Business performance

The **Net profit for the year** amounted to € 380.7 million, showing an increase of 17.7% compared to € 323.6 million of the previous year. Excluding the non-recurring items 2021 mentioned before[10], the Net profit for the year should be € 349.2 million, up 7.6 % compared to 2020 net of non-recurring items[11].

Performance of main balance sheet aggregates

Cash and cash balances, amounting to € 1,464.2 million, consisted mainly of the liquidity deposited in the HAM (Home Accounting Model) account, used to manage short-term liquidity, and TIPS (Target Instant Payment Settlement) with the Bank of Italy, for a total amount of € 1,256.4 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 € 207.5 million. The decrease over the previous year, for an amount of € 550.2 million, depends on the decrease in cash and cash equivalents with the Bank of Italy.

Loans and receivables with banks, came to € 379.9 million, show a decrease of € 146.6 million compared to December 31, 2020 mainly due by reduction in variation margins with credit institutions for derivative dealings.

Loans and receivables with customers came to € 6,001.6 million, show an increase of € 1,473.8 million compared to December 31, 2020 thanks to the increase in lending activity. During 2021, € 266 million in personal loans and € 1,030 million in mortgages were granted and € 1,467 million in current account overdrafts were arranged, with an increase in exposures in current account of € 507 million; this has resulted an overall 35.1% aggregate increase in loans to ordinary customers compared to December 31, 2020. Impaired loans net of impairment losses totalled € 4.4 million (€ 3.5 million as at December 31, 2020), with a coverage ratio of 82.15%. The ratio between impaired loans and total loans to ordinary customers was confirmed equal to 0.08% (0.09% as at December 31, 2020).

Financial investments came to € 24,560.4 million, up €620.4 million compared to December 31, 2020. The carrying amount of the debt securities issued by the UniCredit S.p.A. amount to € 3,856.4 million, down compared to € 5,738.9 million as at December 31, 2020 due to the repayment of securities maturing during 2021. The purchases made by the Group during 2021 mainly concerned securities issued by sovereign States.

Tax credits acquired include the carrying amount of tax credits purchased during the 2021 financial year under Decree-Law 34/2020, for a carrying amount of € 508.8 million. They include both tax credits purchased as a result of assignment by direct beneficiaries and purchased as a result of assignment by previous purchasers.

Deposits from banks totaled € 1,225.2 million, showing an increase of € 160.4 million compared to December 31, 2020, mainly attributable to the liquidity received from the Central Bank in the context of TLTRO III operations (+€ 95 million related to the seventh tranche of the programme) and to the increase in variation margins received for derivative transactions (+€ 67.6 million).

Deposits from customers came to € 29,847.7 million, showing an increase of € 1,488 million compared to December 31, 2020, due to the growth in direct deposits on current accounts from customers.

Debt securities in issue, amounting to € 497.3 million, exclusively include the Senior Preferred Bond issued by FinecoBank on 14 October 2021 with a view to complying with the fully loaded MREL requirement calculated on the total exposure for the purpose of calculating the Leverage Ratio currently required of the FinecoBank Group from 1 January 2024.

Shareholders' equity amounted to € 1,726.8 million, showing an increase of € 39.7 million compared to December 31, 2020, attributable mainly to the profit earned in the 2021, equal to € 380.7 million, offset by the distribution of the dividend from revenue reserves approved by the Shareholders' Meeting of 21 October 2021, totalling € 323.2 million, and by the coupons paid during the 2021 on the AT1 instruments issued by FinecoBank, which, net of taxes, resulted in a reduction in equity of € 19.8 million.

[10] Tax benefit arising from the tax realignment of goodwill carried out by FinecoBank, as provided for in Article 110 of Legislative Decree 104 of 2020, in the amount of € 32 million, and change in the fair value of the equity exposure to the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits in the amount of € -0.5 million (net of tax effect).

[11] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 1 million (net of the tax effect).

Business performance

Communications and external relations

The upturn in global inflation was one of the main topics analysed by the media in 2021. Fineco has been the protagonist of these in-depth analyses on numerous occasions through interviews with the Bank's main representatives, pointing out the need for savers to invest the savings accumulated in their current accounts in order to avoid a massive erosion of purchasing power. In this context, Fineco AM's positioning and accreditation activities in Italian financial publications, which began in recent years, gave greater visibility to both the analyses carried out by Fineco AM's investment team and the issues raised during interviews with the company's CEO.

Among the topics in focus of media relations activities, a significant role was played by attention to proper planning, testifying to the entire group's vocation for financial education, starting with training projects for advisors (with dedicated educational operations and webinars) and ending with the dissemination of news dedicated to the subject, in particular through the info/educational portal https://www.fineconomy.it.

Advertising campaigns to support the advice and investment segment were constant throughout the year. In the latter part of 2021, communication activities on digital channels were strengthened to support the acquisition and awareness of Fineco's investment solutions on global markets.

As part of the Reputation Management programme - which envisages the continuous measurement on a monthly basis by Reputation Institute[12] of the company's reputation among a representative sample of the Italian population (General Public) - FinecoBank's reputation index recorded a further increase compared to the all-time highs reached in 2020, positioning Fineco's customer satisfaction levels at 95%.

Lastly, FinecoBank's marketing and communication activities in the UK focused, in the first part of the year, on flanking the trading segment with the enrichment of the investment platform and, in the second half of the year, on intensifying the Bank's presence in in-depth coverage of financial issues dealt with by the British trade media, starting with its commitment to sustainability.

With reference to the main solidarity initiatives, the FinecoBank Group continued its commitment to supporting the community through donations and support to foundations and non-profit associations with the objectives of improving the quality of life of people suffering from serious illnesses and their families, supporting women and children who are victims of violence, encouraging the creation of protected spaces to combat marginalisation, isolation, educational, emotional and cultural poverty of children in disadvantaged suburbs and, in general, of families in conditions of low income, hardship or vulnerability.

Main environmental protection initiatives

The Group has confirmed its important collaboration with FAI (Fondo Ambiente Italiano). FinecoBank has been a Corporate Golden Donor of FAI since 2017, a qualification that rewards the companies that are most active in the field of culture and the protection of the territory's artistic heritage. In particular, in 2021 Fineco will be the main sponsor of the "Giornate FAI di Primavera" (FAI Spring Days) and the "Giornate FAI di Autunno" (FAI Autumn Days), the biggest street festivals dedicated to Italy's cultural heritage and landscape, with 600 openings in over 300 Italian cities.

The partnership with the Feltrinelli Foundation was also confirmed, with a cycle of three "Going digital" meetings.

The project launched by the Municipality of Milan, "Care for and adopt public green areas", continues with a collaboration for the redevelopment of urban green areas in the Lombard capital, in the area between Corso Como, Corso Garibaldi and Largo La Foppa. The objective of the sponsorship project, which will last three years, is to contribute to the conservation and improvement of existing green areas, through the selection of various types of plants, including ornamental grasses and centuries-old olive trees, appreciated for their beauty and for their adaptability and resistance to the most diverse environments and adverse weather conditions, for a total of 516 new plantings.

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

Sustainability

During 2021, Fineco continued its sustainability efforts in the various areas of intervention outlined in the ESG Plan 2020-2023.

In particular, FinecoBank published its "Policy on the Integration of Sustainability Risks into Advisory Services" in line with the requirements of Regulation (EU) 2019/2088 (Sustainable Finance Disclosure Regulation - SFDR), while Fineco AM published its "Responsible Investment Policy" describing its policies on responsible screening and selection of funds, and monitoring of the portfolio's ESG Rating. In addition, the Group's asset management company also classified its funds according to the SFDR categorisation[13] and, at the end of December 2021, approximately 30% of

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

[13] For more information on Fineco Asset Management's funds under Articles 8 and 9 of the SFDR and its investment policies in relation to sustainability, please refer to: www.finecoassetmanagement.com/sustainability.

Business performance

Fineco AM's Assets Under Management were related to funds that promote, among other characteristics, environmental or social characteristics, or a combination thereof, or funds with a sustainable investment objective.

As part of the product offering, in order to contribute to Italy's recovery, by purchasing Italian government bonds online from April 2021 until the end of December 2022, and holding them in the portfolio for at least 12 months, Fineco will reimburse its customers the trading commissions charged for purchasing the bonds and will not charge sales commissions. In addition, the year saw the consolidation of the offer relating to the Superbonus 110%, i.e. the possibility given to its current account holders to transfer the tax credits deriving from the renovation and energy efficiency work undertaken, thus obtaining liquidity without having to wait for the recovery of the tax deductions in 5 or 10 years through the annual shares of the deductions in the tax return and without having to worry about having sufficient gross tax to recover the annual share of the deduction.

In line with the Bank's digital approach, during the year the dematerialisation of processes and services continued, in order to favour digital and paperless oriented processes, including, for example, the introduction of a Digital Platform dedicated to the collection of mortgage application documentation and the digitalisation of the Letter of Acceptance of Credit Lombard and the Periodic Statement of Loans by uploading them to the Private Area of the website. Lastly, Fineco customers were given the opportunity to request SPID, the Public Digital Identity System, which allows them to access online public administration services with a single digital identity, directly from the Private Area of the website.

Fineco has also adopted a number of initiatives during 2021 aimed at promoting access to banking and financial services by young people. In particular, in line with the so-called “Decreto Sostegni”[14], the Bank provided the application of a zero substitute tax on mortgages for the purchase of the first home of borrowers no older than 36 (in the year of the deed) and ISEE not exceeding € 40.000, it provided for the extension of the zero-fee current account, already free of charge up to 28 years of age, for customers between 28 and 30 years of age and introduced, for young people under 30, a reduction in commissions on orders in Italian and international equities and ETFs, the elimination of the monthly fee for Capital Accumulation Plans (PAC) in ETFs and of fixed fees for PACs in SICAVs. Raising awareness of sustainability issues among its stakeholders is a key activity in Fineco's ESG journey, so during 2021, a number of initiatives were carried out in this direction. In April 2021, two ESG training sessions dedicated to our Financial Advisor network were held, providing an introduction on the evolution of sustainability and sustainable finance and an overview of the "Sustainability in Fineco". In the second quarter, a new online course directed at all employees was launched, entitled "Introduction to Sustainability", while in December the speech "Sustainability in Fineco" held by the CFO of FinecoBank was made available to employees. Finally, at the end of June 2021, Fineco participated in Borsa Italiana's Italian Sustainability Week, an event dedicated to dialogue between Italian listed companies and national and international investors to discuss strategies for sustainable growth and financing.

As part of the management of environmental impacts, in the first semester of 2021, the first implementation of the Environmental Management System was completed, which at the end of the year is being assessed by the Committee for the Ecolabel and Ecoaudit - EMAS Italy Section - for the purposes of obtaining the EMAS Registration. In this context, in June 2021 the Board of Directors approved the Environmental Programme 2021-2024, indicating the environmental objectives, the operational actions, the corporate structures responsible for their achievement, the resources allocated, the timeframes and, when possible, the quantitative targets. The Environmental Programme will be published in the course of 2022 together with the Environmental Statement after receiving the EMAS Registration. In addition, support was given to LifeGate's PlasticLess® project through the installation in Italian seas of six special bins for the collection of plastic dispersed in water. Clients were also involved in this initiative and, through their investments, they contribute to supporting the project.

The results and progress achieved are evidenced by the awards received periodically by Fineco. In particular, in 2021 the Bank was awarded the "MF Banking Awards 2021 - Best ESG Rating" and the “ESG Awards 2021”, organised by MF-Milano Finanza and Class Cnbc, by virtue of obtaining the best rating among Italian banks from Standard Ethics. Furthermore, Statista / Forbes / Il Sole 24 Ore awarded Fineco the title of "Leader in Sustainability 2021", namely the inclusion of the Bank among the 150 companies in Italy that stand out for their truly sustainability-oriented choices. Finally, Standard & Poor's also recognised the sustainability progress achieved by Fineco, including the Group in its Sustainability Yearbook members 2022 and considering Fineco among the best 71 banks in the world in terms of sustainability.

Equally positive is the feedback from ESG rating agencies. In June 2021, Standard Ethics renewed FinecoBank's EE+ rating, a "very strong investment grade" assigned to sustainable companies with a lower reputational risk profile and good long-term prospects. In addition, improvements have been achieved in the scores given by the other major ESG rating agencies: Sustainalytics improved Fineco's ESG risk rating from 18.7 (Low risk) at the end of 2020 to 16.0 (Low risk), confirming its position among the best banks internationally; S&P's Corporate Sustainability Assessment saw an increase in the score from 54 to 65 points out of 100; the excellent result obtained in the update of Vigeo Eiris' ESG rating, equal to 54 points out of 100 (robust performance), in December allowed Fineco to be included in Euronext's MIB ESG Index, the first ESG index dedicated to Italian blue-chips, designed to identify large Italian listed issuers with the best ESG practices; while Refinitiv and MSCI confirmed the ratings assigned the previous year, respectively 85 points out of 100, indicating excellent ESG performance and a high degree of transparency in public sustainability reporting, and 'A', a rating in line with the average for the 'diversified financials' sector. At the end of the year, the Bank was also included in the FTSE4Good Sustainability Index, the Bloomberg Gender Equality Index (GEI) 2022, the Standard Ethics Italian Banks Index, the Standard Ethics Italian Index and the Nasdaq CRD Global Sustainability Index.

For more information on the Group's sustainability path, please refer to the Consolidated Non-Financial Statement 2021, available in the "Sustainability" section of Fineco's website. This document also includes the information pursuant to Article 10(3) of Delegated Regulation (EU) 2021/2178, amending Regulation (EU) 2020/852 (the "Taxonomy Regulation"), concerning information on environmentally sustainable economic activities.

[14] Decree-Law No 41 of 22 March 2021: Urgent measures to support businesses and economic operators, labour, health and territorial services, related to the COVID-19 emergency.

Business performance

Awards

Below are the awards given to Fineco in 2021:

- **Bluerating Awards 2021**: Fineco was awarded the "Golden Collection" prize for its achievements on the net inflows under management front, with €4.3 billion of inflows achieved last year;
- **CityWire Private Banking Awards 2021**: Fineco was awarded the "Technological Platform of the Year" prize, in recognition of the supremacy of the Bank's digital platform and Fineco's ability to meet, thanks to its winning human-technology mix, even the most evolved needs of customers who are increasingly interested in an efficient and reliable service;
- **Leader in Sustainability 2021**: title conferred by Statista/ Forbes/ Il Sole 24 Ore, i.e. the Bank's inclusion among the 150 companies in Italy that stand out for their truly sustainability-oriented choices;
- **MF Banking Awards 2021 and MF ESG Awards**: On the occasion of the G20 "Environment, Climate, Energy" meeting, Milano Finanza awarded Fineco recognising its role of excellence in the ESG field in accordance with the main UN, OECD and EU directives, based on Standard Ethics ratings;
- **Private Banking Awards 2021**: at the VI edition of the Private Banking Awards 2021, FinecoBank won the award in the "Digital Focus" category for its continuous attention to innovation, in a historical phase that sees the completeness and ease of use of digital channels increasingly central to meeting new customer needs;
- **Top Employer Italia 2021**: for the third year running, the Bank stood out for its attention to the enhancement of resources and development of skills, fostering a positive and stimulating working environment;
- **Top Job 2021-2022**: the German Institute for Quality and Finance awarded Fineco first place as "best employer" among direct banks, analysing factors such as the working climate, professional development opportunities, growth prospects, sustainability policies and corporate values. MF Banking Awards 2021: Fineco was awarded "Best ESG Rating" for having obtained, among Italian banks, the best rating from Standard Ethics;
- Standard & Poor's recognised Fineco's sustainability progress, including the Group in its **Sustainability Yearbook members 2022** and considering Fineco among the **best 71 banks in the world in terms of sustainability**.

FinecoBank shares

Share information

FinecoBank share registered a strong increase of its value over 2021, reaching its all-time high at € 17.31 in November 2021.

As of December 31st 2021, the price of the share was equal to € 15.44, increasing by +15.2% compared to the last trading day of 2020 equal to € 13.40. The average value recorded by the share in 2021 was € 14.95.

The company's market capitalization equaled to € 9,414 million as of December 31st, 2021, increasing by € 1,246 million compared to December 31st, 2020.

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

Results achieved in the main areas of activity

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

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

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

Banking

Banking and Payment cards

In 2021, the Banking activities have been focused on the downsizing of liquidity on current accounts that has become even more expensive as a consequence of the monetary policies implemented by the European Central Bank in 2020 and the associated reduction in interest rates. In this context, the Bank's activities have focused on updating the terms of the current account offer for Retail and Business customers and developing a distribution platform of third-party bank deposit accounts, with the aim of offering Fineco customers an additional tool for managing their liquidity in current account and diversifying investments. The first product, integrated from July 2021, is "Rendimax Depository Account for Fineco customers", a deposit account of Banca Ifis proposed specifically for Fineco customers.

The expansion of the range of products and services and the optimisation of processes in terms of digitalisation has also continued, with a view to making them more responsive to customer needs. As for the new products and services offered we highlight:

- the new offer aimed at young people under 30 who provide for preferential commissions on trading and investment and zero current account fee up to 30 years. The offer, in force since November 2021, aims to offer support to new generations by making available, an account that offers the main services for the management of its expenses and savings, and the possibility to invest.
- the possibility of obtaining, directly from finecobank.com, the SPID credentials, the Public Digital Identity System that allows easy access to many public administration services, such as health reservations, school registration, requests to the INPS and the Revenue Agency. The service, offered in collaboration with Namirial, is free. Thanks to the identification carried out by the Bank during the opening of the account, the issuance of the identity is requested directly from Fineco website and completed without having to send any additional documentation, nor the need to go to physical desks or make videocalls for recognition;
- the introduction of American Express Corporate credit cards (Platinum and Gold), which Fineco distributes under a new brokerage agreement with the company. With the introduction of this product, Fineco was able to fill a gap in its offering and cover the needs of corporate and small business customers. At the same time as the introduction of the Corporate card, the American Express premium cards (Platinum and Centurion) aimed at retail customers were also introduced into the Fineco offering;
- the graphical overhaul of the "My Cards" section of the Fineco website, optimising usability and allowing customers a better and more effective view of total card expenses and related details. The intervention is in continuity with the revision of the Account and Cards Home Page carried out in 2020.

As regards the offer in the United Kingdom we point out the development of the new Open account process via Fineco APP in native mode on iOS and android operating systems, and the development of the new responsive procedure to open account from desktop for single-headed accounts.

In addition to the above initiatives, there is a continuous marketing and communication effort, which from May 2021 onwards will include the definition of specific promotions aimed at giving a new boost to spending after the period of crisis in consumption linked to the health emergency and the related lockdown conditions.

In the regulatory field, the Bank's activity has focused on the implementation of AML verifications about the address of residence in the account opening process, on the implementation of the SOF, a document in which are reported expenses incurred by the customer and optimising processes for managing and updating expired identity documents.

Results achieved in the main areas of activity

The table below shows an increase in credit card spending compared to the year 2020, during which there was a reduction mainly attributable to the contraction in consumption caused by the pandemic from COVID-19.

(Amounts in € thousand)

	Year 2021		Year 2020		Changes			
					Spending		Carrying amount	
Credit Products	**Spending**	**Carrying amount**	**Spending**	**Carrying amount**	**Amounts**	**%**	**Amounts**	**%**
Revolving credit cards	38,505	35,256	40,868	37,165	(2,363)	-5.8%	(1,909)	-5.1%
Credit cards full payment of balance	2,780,670	290,545	2,592,974	258,861	187,696	7.2%	31,684	12.2%
Total	**2,819,175**	**325,801**	**2,633,842**	**296,026**	**185,333**	**7.0%**	**29,775**	**10.1%**

Mortgages, credit facilities and personal loans

In the lending business, during 2021 the Bank continued to optimize its current loan portfolio. In this context, it should be noted:

- the introduction of a dedicated digital platform (known as "Corriere Digitale") through which customers can view a list of the main documentation required for the loan application and upload the required preliminary documentation quickly and easily. This initiative, in addition to improving the customer's user experience by offering a simple paperless process, is part of the Bank's broader sustainability plan, which aims to reduce environmental impact and paper consumption;
- the launch of a dedicated commercial management process for Premium customers (Apex and Private customers and those with assets under management of over 500,000 euro), which involves interaction with a Fineco Customer Care consultant rather than an outsourcer operator. The objective of the intervention is to offer, in line with the strategies for differentiating the offering, a level of assistance that guarantees better SLAs to the best customers;
- the implementation of a series of measures to optimise the Credit Lombard application process, providing, first and foremost, for the possibility of digitally signing the request for an additional credit line or for the migration of the credit line to another file (similar to what was done for the first request), entered by the financial advisor on the X-Net platform. In addition, in line with the digitalisation strategies, the sending of the Letter of Credit Opening on paper was replaced by uploading the document in the private area of the website and the uploading of documents was optimised so that larger documents and formats can be uploaded;
- the introduction of a mortgage price list dedicated to customers with asset under management levels above € 250 thousand. This initiative is in continuity with those implemented in 2020, which introduced special conditions for customers with assets under management of over € 500 thousand, and is aimed at offering more competitive conditions on the mortgage product to customers with greater added value for the bank to offer of greater service and grant retention
- the digitisation of the Loan Transparency Letters made available to customers in the private area of the Fineco website.

Furthermore, with regard to personal loans, the marketing effort continued, with recurring promotional campaigns aimed at speeding up the delivery of services.

Finally, with the aim of making it easier for customers to request and sign the tax credit transfer contract (an offer introduced in 2020 as part of the provisions introduced by the so-called "Sostegni - bis Decree"), FinecoBank has introduced the possibility of filling out the contract via an online form, available on the Fineco website, and signing it using a digital signature. The process is available only for cases in which there is only one transferor for the intervention carried out on the same property. Again with reference to this product, following the entry into force of the so-called "Anti-Fraud Decree" (Decree-Law no. 157/2021, published in the Official Gazette no. 269 of November 11, 2021), the Bank adjusted the set of controls and documentation required to finalize the transfer of receivables in line with the new regulatory provisions.

In addition to the initiatives described above, there were also those required by the new regulations introduced during the first six months of the year. With reference to the latter on the mortgages offer, the following was planned:

- the adaptation of the mortgage process and documentation needed to allow the application of tax benefits for those under 36 years of age with an ISEE not exceeding € 40,000, as provided for by Decree no. 73, the so-called "Sostegni bis";
- the adaptation of the policy's document set to make it compliant with the new IDD (Insurance Distribution Directive).

Results achieved in the main areas of activity

The following table shows the disbursements and the balance sheet of credit products compared to the previous year, which show an increase of 58.5% and 37.1% respectively.

(Amounts in € thousand)

Credit Products	Year 2021		Year 2020		Changes			
					Disbursements		Carrying Amount	
	Disbursements	Carrying Amount	Disbursements	Carrying Amount	Amount	%	Amount	%
Personal loans and unsecured loans	265,928	499,313	178,698	438,996	87,230	48.8%	60,317	13.7%
Current account credit facilities*	1,466,609	2,109,642	876,866	1,602,767	589,743	67.3%	506,875	31.6%
Mortgages	1,029,748	2,479,355	686,919	1,668,286	342,829	49.9%	811,069	48.6%
Total	**2,762,285**	**5,088,310**	**1,742,483**	**3,710,049**	**1,019,802**	**58.5%**	**1,378,261**	**37.1%**

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

Furthermore note that the credit lines guaranteed by securities granted in 2021 totaled € 1,449 million (€ 1,438 million related to "Credit Lombard" product, € 8 million related to credit facilities secured by pledged and € 3 million related to credit facilities with mandate for sale), equals to 99% of total amount of credit lines granted.

Results achieved in the main areas of activity

Brokerage

2021 was characterised by vaccination campaigns and the reopening of economies, but also of fears related to COVID-19 variants and new restrictions. Growth and inflation were high overall. Against this backdrop, equities and commodities rose sharply globally, while bonds performed negatively.

Brokerage revenues in 2021 stood at €213.9 million, down from the €232.4 million recorded the previous year (-7.9% y/y), due to lower market volatility than in 2020. On the other hand, a comparison with the average monthly revenue between 2017 and 2019, when volatility was comparable to current levels, shows growth of around 58%, thanks to the expansion of the active customer base and continued innovation in the offering. The three structural trends: the innovative investment formula, the digitalization of systems, and the ongoing transformation of the banking business, once again confirm the solidity of the business model.

In 2021 the expansion of the range of products and services continued. In particular, the following are highlighted:

- expansion of the options offer, thanks to the introduction of options with underlying over 100 US shares, traded on the US CBOE market;
- extension of the intraday operating hours on FUTURES of the CME market with underlying Indices, Currencies and Commodities (energy and metals) from 21:30 to 21:50;
- issue, listing as a Market Maker and trading of its own Turbo Certificates (on website, PD and App). Fineco thus becomes the first Italian issuer for this type of financial instruments, listed on Hi-MTF's Hi-Cert and therefore available to all clients of the brokers belonging to the segment;
- new Youth Pricing, which set facilitated conditions dedicated to customers under 30. Specifically: Fixed trading fees facilitated on all securities of the major markets, zeroing of the monthly fee and of the monthly cost for the PAC on ETFs (ETF Replay);
- widening the range of instruments on which it is possible to trade in margin, including the height most traded ETPs with underlying cryptocurrencies.

The following table shows the number of orders on financial instruments recorded during the 2021 compared to the previous year.

(Amounts in € thousand)

	Year		Changes	
	2021	**2020**	**Absolute**	**%**
Orders - Equity Italy (including internalised orders)	9,692,810	10,830,920	(1,138,110)	-10.5%
Orders - Equity USA (including internalised orders)	4,991,610	3,778,608	1,213,002	32.1%
Orders - Equity other markets (including internalised orders)	1,184,657	1,154,834	29,823	2.6%
Total Equity orders	*15,869,077*	*15,764,362*	*104,715*	*0.7%*
Orders - Bonds	346,785	536,874	(190,089)	-35.4%
Orders - Derivatives	9,845,076	9,904,830	(59,754)	-0.6%
Orders - Forex	884,596	1,093,711	(209,115)	-19.1%
Orders - CFDs	1,991,551	2,348,088	(356,537)	-15.2%
Orders - Funds	4,586,827	3,704,679	882,148	23.8%
Total orders	**33,523,912**	**33,352,544**	**171,368**	**0.5%**

Results achieved in the main areas of activity

The table below shows the volume of trades carried out as direct counterparty in orders placed by customers, resulting from the internalization of orders received on shares, derivatives, CFDs and Logos, recorded in 2021 compared to the previous year. The decrease in internalised volumes, as described above, is attributable to the lower market volatility experienced compared to 2020.

(Amounts in € thousand)

	Year		Changes	
	2021	2020	Absolute	%
Equity (internationalization)	94,924,267	108,920,389	(13,996,122)	-12.9%
Derivatives (of which internalized)	203,124,692	218,394,846	(15,270,154)	-7.0%
Forex	48,393,831	57,887,536	(9,493,705)	-16.4%
CFD and Logos	50,259,259	80,896,726	(30,637,467)	-37.9%
Total "internalized" volumes	**396,702,049**	**466,099,497**	**(69,397,448)**	**-14.9%**

Results achieved in the main areas of activity

Investing

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

With reference to collective asset management products, during 2021 the range was expanded with the inclusion in the platform of 166 new ISINs available to customers, including 54 Fineco Asset Management funds. It should be noted that the FAM range was further expanded with the entry of new versions of the FAM Target Boost funds whose characteristic is based on the ability of the decumulation plan to exploit market correction phases to increase equity exposure. The fund platform on the Italian market consists of 75 investment houses with a total of around 6,000 ISINs subscribable as at 31 December 2021.

Still with reference to collective asset management products, from September 2019, the placement of funds also started on the UK market. There are 21 Investment Houses and around 800 ISINs subscribable on the UK platform.

In the area of delegated solutions for private customers, starting from February 2021 the asset management offer has been enriched with a new management line called Private Global. Private Global is divided into four risk profiles, from prudent to dynamic, and is characterised by an increasing equity exposure from 10% to 80%. Private clients' interest in asset management is steadily increasing, with an increase in assets under management of 58% compared to 31 December 2020. There is also interest in customised management by more demanding private clients.

With regard to pension products, customers increasingly focused on the Core Pension open-ended pension fund, available exclusively to the FinecoBank network. Thanks to the paperless proposition through the collection of subscriptions in digital mode and through web collaboration, assets under management increased by 65% compared to 31 December 2020.

In the area of insurance advisory services, in 2021 the collection continued mainly on the Multiramo Extra, Multiramo Target and Multiramo Private products with an investment size starting from € 250 thousand. With regard to the new investment proposals, 2 tariffs with bonuses were added to the Multiramo Private product, completing the range of products with a line dedicated exclusively to the HNWI target clientele, as well as the launch of the new Multiramo Flex with recurring premiums including a private version.

With regard to the offer on the primary market (IPO), the placement of Investment Certificates continued in 2021. The structures mainly used are those "conditionally protected" through protection barriers up to 70%, also quarterly autocallable with conditional coupon and memory effect. Three different issuers were used and 11 placements were made. The continuous increase in the number of Certificates listed on the secondary market, also in ESG themes, broadens the solutions that can be used within the advisory services.

With reference to advisory services, during 2021, the Bank continued its activities and solutions aimed at improving the services offered to Fineco's customers and personal financial advisors. During the entire year, requests to customise private portfolios of over €500,000, received by the Bank's Senior Investment Specialist team, grew by 70% with a countervalue of over €850 million, 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. During 2021, further functionalities were released such as look through analyses and the possibility of including insurance solutions in the overall monitoring. This service involves a constant dialogue between the personal financial advisor and a team of Senior Investment Specialists who constantly monitor the client's entire position using a dedicated and technologically advanced platform. At present, the service provides a depth of analysis of positions comparable to that carried out by asset managers. During the year, more than 250 requests for activation of this service, dedicated to customers with portfolios of more than € 2.5 million, were received, with total assets under monitoring of around € 1,200 million.

As part of the ongoing process of developing solutions for financial advisers, the 'Private Diagnostics' service was enhanced with new portfolio analyses, such as: total portfolio costs, currency exposure and ESG sustainability analysis of the portfolio.

The supports available to Private Banking segment have been further enriched, developing a new mode of portfolio analysis, comparison diagnosis, and a new instrument analysis report, fund insight.

During the year, the number of portfolio diagnoses requested increased considerably, by 75% compared to the previous year. Similarly, the average value of the portfolios diagnosed increased from €3.8 million to €6.7 million, confirming the increasing use of the service by private customers. There was also a significant increase, compared to the previous year, in diagnostics for prospective clients with 41% of portfolios diagnosed in 2021. With a view to the continuous development of advisory services and adaptation of the underlying models, the factor analysis and single VaR models were finalised and implemented.

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

It should also be noted that, even after the COVID-19 pandemic, the frequency of updating reports on the performance of model portfolios and markets was increased and specific analyses on the financial situation were produced.

Results achieved in the main areas of activity

The following table shows in detail the composition of the products of assets under management as at 31 December 2021, whose balance shows an increase of 22.2% compared to 31 December 2020.

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	12/31/2021	Comp %	12/31/2020	Comp %	Absolute	%
UCITS and other investment funds	38,052,645	68.6%	31,577,808	69.6%	6,474,837	20.5%
Insurance products	14,962,876	27.0%	11,818,687	26.0%	3,144,189	26.6%
Segregated accounts	329,710	0.6%	209,329	0.5%	120,381	57.5%
Asset under custody and Direct deposits under advisory	2,104,995	3.8%	1,775,626	3.9%	329,369	18.5%
Total assets under management	**55,450,226**	**100.0%**	**45,381,450**	**100.0%**	**10,068,776**	**22.2%**

The network of personal financial advisors

The year 2021 marks a decisive step change in the growth path of the financial advisors network. The continuation of the emergency situation has made the need for qualified advice and increasing digitalisation even more evident among customers; elements that have long been part of being Fineco Group; this has contributed to further strengthening the recognition of the role of the personal financial advisor, who is crucial in providing support and assistance tailored to the needs of clients.

Thanks to cutting-edge investment solutions, financial advisors are able to propose portfolios that, taking into account objectives but also risk tolerance, meet clients' needs and guarantee constant risk monitoring over time.

Funding, productivity and asset mix are proof of a structured and well-organised work, carried out both on the existing customer base and in terms of new customer acquisition, which shows a constantly accelerating trend.

As at 31 December 2021, the Network of personal financial advisor recorded extremely significant results, in particular:

- Total Net Sales: €9,869 million (+23.6% yoy)
- Total Net Sales Assets Under Management: € 7,234 million (+68.8% yoy)
- Net Inflows in Guided Products: €6,774 million (+61.2% yoy)
- New customers acquired: 75,672 new customers (+22.3% yoy)

The average retail portfolio increased from €30.6 million to €33.9 million (+10.6%), reflecting healthy and steady growth.

The network's asset mix showed a marked improvement in the managed assets component, which accounted for 73.3% of total inflows, highlighting the continuation of the virtuous liquidity-absorbing process begun.

With regard to the Private segment, assets attributable to this segment amounted to € 44.5 billion as at 31 December 2021, referring to 44,762 customers assisted by personal financial advisors. The growth was higher compared to the same period a year earlier, significantly higher than that recorded by the Private Banking market as a whole, further confirming the appreciation of high-end clients for the financial and wealth advisory services offered.

The Network counts 2,790 personal financial advisors at 31 December 2021. With regard to recruitment, which complements the growth and qualitative improvement of the Network, thanks to the lively selection process by the network management structures and the strong attractiveness of Fineco's model, 116 new personal financial advisors were recruited in 2021 (compared to 74 last year), qualified professionals, mainly from the world of financial advisory networks, traditional banks and institutions specialising in Private Banking. The focus on "millennials" has been further confirmed and strengthened and, as part of the "youth project", Fineco introduced 155 new advisors to the profession in 2021 (55 in 2020). The Network counts 184 units, which shows a very low turnover rate (3%) mainly due to retirements.

Events dedicated to clients also continued throughout the year, as a commitment to financial education and with the aim of increasing knowledge on issues relating to investments, financial planning and behavioural finance. The events were mainly held on the web, but there was an opportunity to return in person, increasing proximity to customers, who showed great satisfaction.

A total of 1,673 events were held (of which 1,278 of which were web-based), involving almost 57,500 customers and prospects. There were 11 events (of which 7 on the web) specifically dedicated to high-end customers on the subject of wealth planning, involving around 1,200 private customers.

The Network's capillary presence throughout the territory has supported by FinecoBank's financial centers, (amounting to 424 at the end of 2021 with 27 new openings), which also during 2021 were organised to ensure maximum continuity in total safety for customers and financial advisors.

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 personal financial advisors network in 2021 compared to the previous year. Total net sales amounted to €9,869 million, up 23.6% from the previous year.

Net sales - Personal Financial Advisors Network

(Amounts in € thousand)

	Year 2021	Comp %	Year 2020	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	1,562,229	15.8%	2,001,924	25.1%	(439,695)	-22.0%
Time deposits and reverse repos	(183)	-0.0%	(1,067)	-0.0%	884	-82.8%
DIRECT DEPOSITS	**1,562,046**	**15.8%**	**2,000,857**	**25.1%**	**(438,811)**	**-21.9%**
Segregated accounts	106,554	1.1%	109,914	1.4%	(3,360)	-3.1%
UCITS and other investment funds	4,307,013	43.6%	2,319,691	29.1%	1,987,322	85.7%
Insurance products	2,663,199	27.0%	1,611,613	20.2%	1,051,586	65.3%
Asset under custody and Direct deposits under advisory	156,819	1.6%	243,875	3.1%	(87,056)	-35.7%
ASSETS UNDER MANAGEMENT	**7,233,585**	**73.3%**	**4,285,093**	**53.7%**	**2,948,492**	**68.8%**
Government securities, bonds and stocks	1,073,735	10.9%	1,698,299	21.3%	(624,564)	-36.8%
ASSETS UNDER ADMINISTRATION	**1,073,735**	**10.9%**	**1,698,299**	**21.3%**	**(624,564)**	**-36.8%**
NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK	**9,869,366**	**100.0%**	**7,984,249**	**100.0%**	**1,885,117**	**23.6%**
of which Guided products & services	6,773,803	68.6%	4,203,076	52.6%	2,570,727	61.2%

The table below shows the amount of deposits attributable to the network of financial advisors as at 31 December 2021. The sales of direct deposits, management and administration, amounted to € 94,631 million increased by 18.8% compared to 31 December 2020, thanks to the positive contribution of the direct sales generated during the year, amounting to €9,869 million, and to the positive market effect.

Total financial assets - Personal Financial Advisors Network

(Amounts in € thousand)

	Amounts as at 12/31/2021	Comp %	Amounts as at 12/31/2020	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	22,689,292	24.0%	21,127,063	26.5%	1,562,229	7.4%
Time deposits and reverse repos	1	0.0%	180	0.0%	(179)	-99.4%
DIRECT DEPOSITS	**22,689,293**	**24.0%**	**21,127,243**	**26.5%**	**1,562,050**	**7.4%**
Segregated accounts	329,710	0.3%	209,329	0.3%	120,381	57.5%
UCITS and other investment funds	37,557,343	39.7%	31,154,844	39.1%	6,402,499	20.6%
Insurance products	14,899,834	15.7%	11,754,021	14.8%	3,145,813	26.8%
Asset under custody and Direct deposits under advisory	2,104,977	2.2%	1,775,603	2.2%	329,374	18.6%
ASSETS UNDER MANAGEMENT BALANCE	**54,891,864**	**58.0%**	**44,893,797**	**56.4%**	**9,998,067**	**22.3%**
Government securities, bonds and stocks	17,049,982	18.0%	13,622,934	17.1%	3,427,048	25.2%
ASSETS UNDER CUSTODY	**17,049,982**	**18.0%**	**13,622,934**	**17.1%**	**3,427,048**	**25.2%**
TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK	**94,631,139**	**100.0%**	**79,643,974**	**100.0%**	**14,987,165**	**18.8%**
of which Guided products & services	42,240,277	44.6%	33,379,535	41.9%	8,860,742	26.5%

Human resources

The parent: FinecoBank S.p.A.

As at December 2021, the Bank's employees are 1,261 up compared to 1,226 as at December 31, 2020.

During 2021, despite the COVID-19 pandemic, the activity continued without interruption. All the resources indeed continued to work remotely. In addition, in order to deal with the health emergency, also in 2021 continued all the initiatives put in place to facilitate and improve the working and personal life of employees; the initiatives concerned several areas: health, home working, office work and other useful initiatives. Timeliness of intervention and constant monitoring of the evolution of the pandemic situation were the keywords that characterized the Bank's approach in all processes dedicated to human resources.

Also remotely, selection activities continued with a view to strengthening and optimising the units devoted to controls functions, business development, organisational and technological support, and risk control and management. This led to the hiring of 27 workers.

Out of the 71 new recruits, many were employed to the Customer Relationship Management area, confirming the strong and ongoing focus on young graduates. Customer Relationship Management forms the starting point of a pathway of professional development that can lead to different roles in the company.

In continuity with the past years, even if in a digital way due to the pandemic situation, we put our effort in attracting new talents, with particular focus on Millennials and Z generation, also thanks to employer branding initiatives aimed at meet and recruit new graduates or undergraduates and better understand the of the new generation behavioural matters.

Also 2021 showed a significant use of internal job rotation that involved 22 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 2021, a total of 36 employees left the Bank, including:

- 26 resignations;
- 10 for other reasons.

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

	Men		Women		Total	
Category	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**
Executives	24	22	6	6	30	28
Managers	302	290	125	114	427	404
Professional Areas	406	394	398	400	804	794
Total	**732**	**706**	**529**	**520**	**1,261**	**1,226**

As at 31 December, 2021, part-time staff in the Bank amounted to 99, accounting for 8% of employees, with women employees representing around 42% of the workforce. The average length of service was 12 years and the average age was around 42.

Human resources

Employee training

During 2021, employee training has been focused both on acquisition and strengthening of specific skills required by the different company needs, and on the updating of individual knowledge, with specific focus on mandatory, technical, linguistic, behavioural and managerial training.

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

Training area	Hours of training
Mandatory	21,410
Technical	13,207
Foreign Language	4,917
Conduct – Management	1,418
Total	**40,952**

*FAM included

Mandatory training

The Bank is committed in the continued spread and improvement of Risk and Compliance culture across the organisation, elements which enables its business to be, other than profitable, sustainable over time.

For this reason, considerable attention was paid to mandatory training, extended to all FinecoBank employees and mainly provided through the Learning Next platform, with the creation of new courses about relevant topics and the update and customization of existing ones.

In addition, mandatory training has been periodically monitored to make sure all employees received this training and to protect the Bank from operational, legal and reputational risks arising from the non-completion of courses order to ensure compliance with occupational Health and Safety work provisions, the Bank has guaranteed proper training to all impacted resources.

To ensure business continuity in case of crisis, the Bank organized distance training courses about BCP, performed by essential resources to substitute, with a total of 527 hours.

Moreover, even throughout the year 2021 FinecoBank has been committed to spread the importance of a Compliance Culture among employees, which is fundamental to promote the awareness that the transparency and the observance of rules that are at the core of Fineco's business.

People who give information to the customers , have been provided by mandatory courses in insurance (IVASS) and professional development courses for the purposes of Consob intermediary regulation and annual skills Assessment based on ESMA subjects.

Technical and behavioural training

During year 2021, compatibly with the assistance of external strategic suppliers, Universities and internal specialists, the Bank organized training session for the acquisition of the technical skills needed to improve, not only company productivity, but also the level of employee specialisation. For instance, consider the training path "Executive Program in Compliance", organised for internal control functions in partnership with Catholic University of Milan.

The training catalogue available has been extended with some courses focused on Sustainability topic, that Fineco considers a fundamental issue, either in its three-fold implications (economical, environmental and social) and in the application of sustainable choices inside our Bank.

With a view to guarantee the development of personal and professional skills of all employees, an on-line catalogue of free access courses has been created on Learning Next platform, with the aim of deepen communication skills, self-efficacy, leadership, teamwork, motivation. This catalogue is freely available and organised through different learning methods: interviews, quiz, exercises.

To enhance diversity and promote inclusion in the company, two on-line courses have been provided for all employees: "Unconscious Bias" and "Lotta alle molestie, ai comportamenti sessualmente inappropriati e al bullismo" ("Combating harassment, sexually inappropriate behaviour and bullying").

In the Customer Care unit, in order to maintain high quality service and customer focus, training courses were held for newly employed and existing staff, with a total of 8,072.5 hours, focused on the acquisition of key technical and role-specific skills.

Human resources

Managerial Training

Also in 2021, to support the development of resources, FinecoBank continued the Leadership Training Program (already tested in previous years), dedicated to all managers, team managers and those who, for the first time, approach with resource management. In consideration of the health situation, this course consists of online, individual and group sessions. The purpose of this initiative is to strengthen the managerial skills of middle management, helping them to manage their role in a coherent and effective way, as well as to create a shared corporate culture, greater awareness of the role and a common language, useful for foster collaboration between different teams. From 2019 since at the end on 2021, the project involved around 100 people. The path included individual interviews, online training and remote coaching sessions, to support the achievement of the objectives agreed in the professional development plan.

Thanks to the collaboration with Valore D, in 2021 Fineco participated to some training initiatives specifically designed to enhance diversity and promote inclusion in the company. In particular, the main initiatives concerned issues such as unconscious stereotypes, language inclusiveness, collaboration in heterogeneous teams, enhancement of resources and gender and sexual harassment in the workplace.

Foreign language training

During 2021, Voxy, the new linguistic training platform has been provided to all employees, based on artificial intelligence, it had the aim to enhance linguistic skills of everyone through a custom path that started from the level of knowledge and the personal interests of employees.

In addition, the Bank activated the usual English language on-line training groups (divided in “Fineco classes” and “world-wide classes”) and one-to one lessons, held through virtual meetings and that involved 317 employees. Then, in some cases, executive managers also had Legal English training.

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

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

As at 31 December 2021, the Company’s employees are 44 of whom 15 women and 29 men and the average age is around 37.

The hirings from the market in 2021 are due to the reinforcement of the functions dedicated to business, staff and control functions.

During 2021, employees training was focused both on the acquisition and consolidation of specific skills required by the company needs, and on the updating of individual knowledge, with specific focus on mandatory, technical and linguistic training.

Human resources

Incentive plans

The Board of Directors' meeting of FinecoBank held on January 19th, 2021 – in consideration of the favourable opinion of the Remuneration Committee held on January 15th, 2021 – approved the following incentive systems subsequently approved by the Shareholders' Meeting of April 28th, 2021:

- 2021 Incentive System for employees categorised as "Key Personnel";
- 2021-2023 Long Term Incentive Plan for employees;
- 2021 Incentive System for Personal Financial Advisors identified as "Key Personnel".

On February 19th, 2021, given the confirmation of the minimum entry conditions at Group level and the individual requisites (compliant conduct and continued employment) and the favourable opinion provided by the Remuneration Committee held on February 8th, 2021, the Board of Directors of FinecoBank approved:

- for the 2015, 2016, 2017, 2018, and 2019 "Incentive Systems" (Bonus Pools):
  - the execution of the plans;
  - the allocation of the fourth share tranche of the 2015 plan, awarded in 2016, corresponding to 42,057 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 22nd, 2015;
  - the allocation of the third share tranche of the 2016 plan, awarded in 2017, corresponding to 30,406 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 12th, 2016;
  - the allocation of the second share tranche of the 2017 plan, awarded in 2018, corresponding to 28,457 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 9th, 2017;
  - the allocation of the first share tranche of the 2018 plan and of the second share tranche of the severance payment agreed in 2018 for an executive with strategic responsibility, awarded in 2019, corresponding to overall 77,087 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2018;
  - the allocation of the first share tranche of the 2019 plan, awarded in 2020, corresponding to 63,091 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2019;
  - a free capital increase effective from March 31st 2021 for a total amount of € 79,562.34 corresponding to a total of 241,098 FinecoBank ordinary shares with a nominal value of € 0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement) with effect from March 31, 2021, in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 12th, 2016, April 11th, 2017, April 11th 2018 and April 10th, 2019 pursuant to Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.04% of the fully diluted capital.
- for the "2020 Incentive System" (Bonus Pool):
  - the FinecoBank 2020 Bonus Pool;
  - the proposals for the determination of the 2020 bonus for the Chief Executive Officer and General Manager, other Key Management Personnel, and other Key Personnel;
  - the allocation of 164,658 FinecoBank ordinary shares, to be given free of charge to the above-mentioned personnel in accordance with the bonus pool regulations.
- for the 2018-2020 Long Term Incentive Plan for the employees:
  - the execution of the plan;
  - the proposals for the determination of the individual bonus for the Chief Executive Officer and General Manager, the other Managers with Strategic Responsibility, and other Identified Staff;
  - the allocation of the first share tranche of the plan, awarded in 2018 and corresponding to 104,629 FinecoBank free ordinary shares, and subsequently, a free capital increase effective from March 31st, 2021, for a total amount of € 34,527.57.
- for the "2020 PFA Incentive System" plan:
  - the proposed determination of the 2020 Bonus Pool for personal financial advisors;
  - the proposed determination of the 2020 bonus and prior-year deferrals for personal financial advisors classified as Key Personnel;
  - the allocation of FinecoBank shares with a total value of € 804,865.67 (maximum 235,516 ordinary shares), to be given free of charge to the above-mentioned personal financial advisors in accordance with the plan regulations;
  - the purchase of treasury shares, having obtained the authorisation from the Supervisory Authority, pursuant to Articles 77-78 EU 575/2013 of June 26th, 2013 (CRR), in accordance with the shareholder meeting resolutions.
- for the "2019 PFA Incentive System" plan:
  - the execution of the plan;
  - the allocation of the first tranche in shares to the personal financial advisors classified as "Identified Staff", in accordance with the plan regulations, corresponding to 24,687 FinecoBank shares.
- for the "2018 PFA Incentive System" plan:
  - the execution of the plan;
  - the allocation of the first share tranche of the plan, corresponding to 10,306 FinecoBank shares.
- for the "2017 PFA Incentive System" plan:
  - the execution of the plan;
  - the allocation of the second tranche of the plan, corresponding to 5,527 FinecoBank shares, and the allocation of the third tranche in cash of the plan, to be granted to the personal financial advisors classified as "Identified Staff" in accordance with the plan regulations.

Human resources

- for the “2016 PFA Incentive System“ plan:
  - the execution of the plan;
  - the allocation of the third tranche of the plan, corresponding to 11,548 FinecoBank shares.
- for the 2018-2020 Long Term Incentive Plan for FinecoBank Personal Financial Advisors:
  - the execution of the plan;
  - the proposals for the determination of the individual bonus for the Personal Financial Advisors Identified Staff;
  - the allocation of the first tranche in cash of the Plan to the beneficiaries.

On May 11th, 2021, given the favourable opinion provided by the Remuneration Committee in its meeting held on May 5th, 2021, the Board of Directors of FinecoBank approved the promise to award a maximum number of 741,129 FinecoBank ordinary shares to the beneficiaries of the 2021-2023 Long Term Incentive Plan for employees.

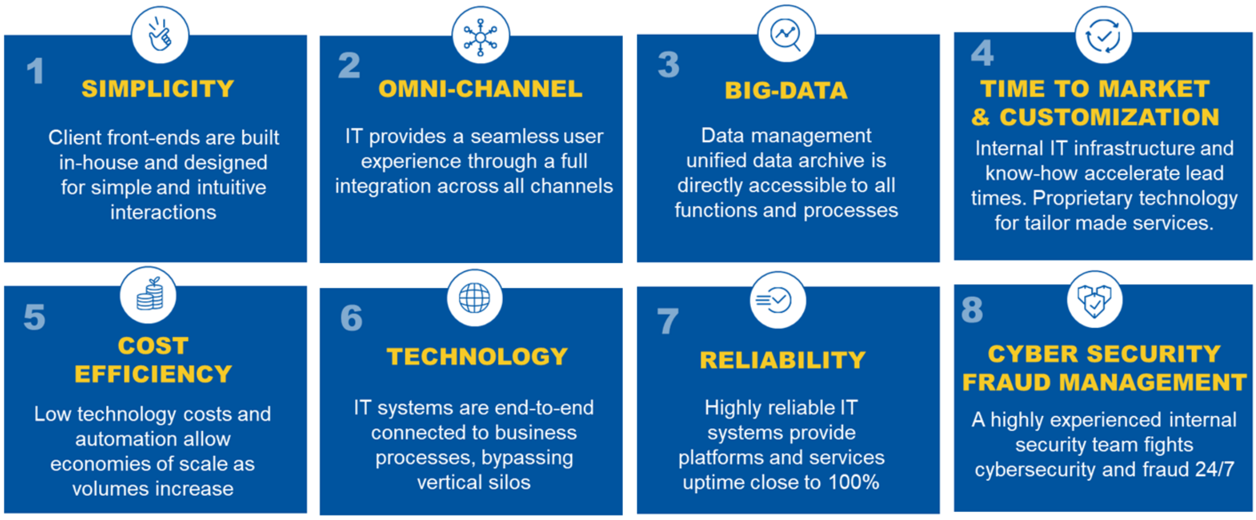
The Board of Directors of Fineco Asset Management, which met on July 29th 2021, approved its own 2021 Incentive System for local Identified Staff.

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



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

- Frontend layer for web, mobile and phone banking applications;
- Backend layer for the delivery of core applications such as banking and trading;
- Technical integration layer that allows the two previous layers to interact and integrate with the necessary counterparts (info-providers, markets, partners, etc.).

This method makes it possible to integrate very closely the distribution structure, the internal operating structure and the applications through which customers access the services dedicated to them.

The aim is to have "horizontal" scalability, 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.

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

During 2021, the ICT & Security Office was engaged in the usual activity of technological adaptation, 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. Among those of particular relevance are:

- FinecoTeam, a flexible, digitised and customised co-working platform, created to further improve the level of customer service;
- the extension of the range of products offered in both Trading and Banking;
- the offer of services to support customers, especially with a view to simplifying and digitalising the offer;
- the extension of analytics tools with a view to data-driven organisation, in order to strengthen the analysis and correlation of data and improve the customer experience of using content;
- the adaptation of products and services to implement Legislative Decrees.

Technology infrastructure

From an architectural point of view, disruptive and innovative project initiatives were also carried out at an infrastructural level, through the introduction of specially designed technologies aimed at providing a significant contribution in terms of resiliency and security.

In addition to this, infrastructural and application optimisation and the continuous improvement and tuning of the architecture continued, in line with regulatory requirements and constraints, with the usual attention to the Bank's digitalisation issues.

Lastly, following the health emergency caused by the COVID-19 pandemic, the Group responded to the emergency by guaranteeing the possibility of remote work for all employees for the year 2021.

Internal control system

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

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

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

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

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

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

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

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

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

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

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

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

Internal control system

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

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

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

- control bodies and functions including, according to their respective responsibilities, the Board of Directors, the Risk and Related Parties Committee, the Remuneration Committee, the Appointments Committee, the Corporate Governance and Environmental and Social Sustainability Committee, the Chief Executive Officer and General Manager, the Board of Statutory Auditors, the Supervisory Body set up pursuant to Legislative Decree 231/01 and the corporate control functions (Risk Management, Compliance[15], Internal Audit) as well as other company functions with specific internal control duties[16];
- procedures for the coordination of entities involved in the internal control and risk management system, which provide for:
    - cooperation and coordination among control functions, through specific information flows that are formalised in internal regulations and through managerial committees dedicated to control issues;
    - definition of information flows between the Bank's corporate bodies and control functions.

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

On September 15, 2021, the European Central Bank has informed FinecoBank of its intention to adopt a decision concerning the classification of FinecoBank as a Significant Institution, starting from January 1st, 2022. Such decision is backed by the overtake, as of December 31, 2020, of the €30 billion dimensional threshold for significance, envisaged by regulation n. 468/2014 (MVU). Consequently, in 2022, the annual Supervisory Review and Evaluation Process (SREP) and the possibly required Comprehensive Assessment, will be carried out by a Joint Supervisory Team (JST), composed by BCE analyst from the DG "Specialized Institutions & LSIs" as well as members of the "Banks Supervisory Services 1" of the Bank of Italy.

Main risks and uncertainties

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

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[15] This function includes the Anti Money Laundering and Anti-Terrorism Function, responsible for managing the correct application of regulations on anti-money laundering and combating the financing of terrorism, headed by the Head of the Anti-Money Laundering Function.

[16] The legislative framework and the codes of conduct assign control tasks to specific functions - other than corporate control functions - whose work should be seen as being a functional part of the Internal Control System. In this regard, the Bank has identified some functions / organizational structures which, on the basis of specific tasks assigned, oversee certain regulatory areas. In particular, the safeguards of the Manager in charge of preparing the corporate accounting documents and that of Control on the sales network of the tied agents are relevant.
The indirect monitoring model also provides that, with reference to other regulations for which specific forms of specialized supervision are already envisaged - adequate to manage the risk profiles of non-compliance - the compliance function can be graduated. Compliance however remains responsible, in collaboration with the specialized functions in charge, at least for the definition of the methodologies for assessing the risk of non-compliance and for the identification of the related procedures, and verifies the adequacy of the procedures themselves to prevent the risk of non-compliance.
Currently, specialist controls have been identified in the following corporate functions:
- Corporate Law & Board Secretary's Office in relation to transactions with related parties and associated persons; Delegate for Occupational Health and Safety (Delegate 81); Works Supervisor pursuant to Article 89, paragraph 1, letter c), of Legislative Decree 9 April 2008, no. 81; Human resources; GBS - Bank Organization and Operations - Business Continuity Manager; CFO - Tax Affairs and Consulting; CFO - Supervisory Board Administration and Reporting; CFO - Management Representative pursuant to EMAS Regulation (Eco-Management and Audit Scheme) no. 1221/2009 / EC.
All corporate functions, other than corporate control functions, also participate in the Internal Control System by carrying out the level-one controls included in the business processes within their responsibility.

Organisational structure

The Parent Company's Organisational Model

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

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

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

- the sales network (Network PFA & Private Banking Department);
- the business (Global Business Department);
- operational functioning (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, Human Resources Department, Compliance Department, the Regulatory Affairs Team and the Identity & Communications Team.

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

During 2021, the organisational structure underwent some changes. In particular, with effect from January 1st, 2021, the CLO Department has been established, transferring all the activities related to the overall lending process from the CRO Department to the new department. The CLO is therefore responsible for setting the guidelines for the granting, management, classification, restructuring and credit recovery processes for commercial loans and loans to institutional counterparties. The CLO is also responsible for keeping the credit risk profile in line with the Risk Appetite Framework defined by the Board of Directors. The CRO is responsible for overseeing the proper functioning of the Group's risk framework by developing suitable methods for identifying and measuring all current and prospective risks, in accordance with the regulatory requirements and the Group's operational strategies. The CRO is also responsible for second-level controls in relation to risks, including credit risk, together with monitoring and reporting to the Corporate Bodies.

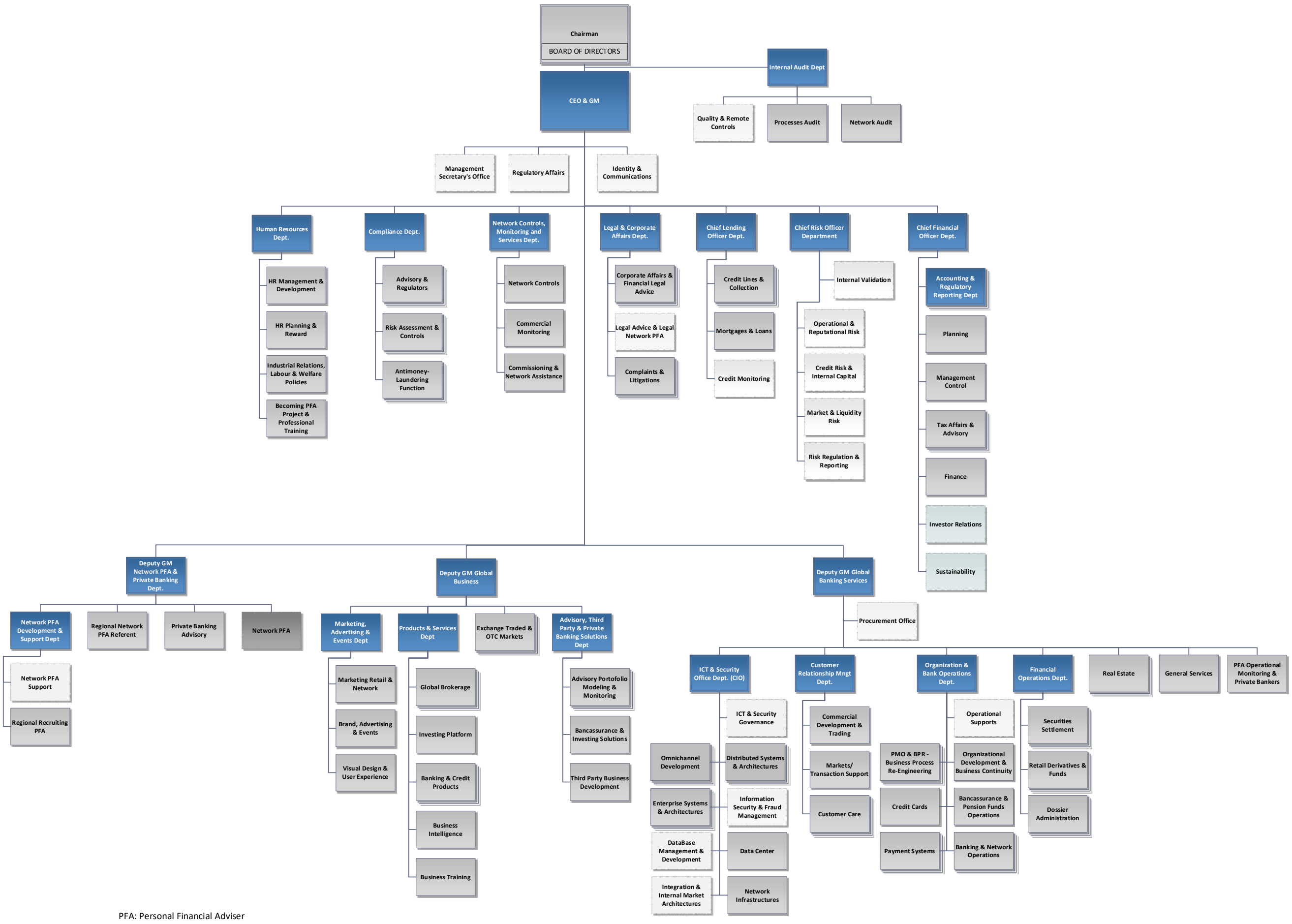
In addition, also with effect from January 1st, 2021, the anti-money laundering responsibilities within the Compliance Department have also been reorganised to reflect the increasing importance of the anti-money-laundering activities and responsibilities. This involved the creation of an Anti-Money Laundering Function, reporting directly to the Compliance Department, whose head has been designated as the Anti-Money Laundering Officer in accordance with the Bank of Italy Supervisory Provisions.

Furthermore, with effect from February 1st, 2021, the Head of Network PFA & Private Banking Department has been also appointed as Deputy General Manager, while also holding the position of Head of the Network PFA & Private Banking Department.

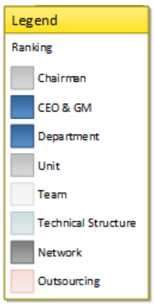
Organisational structure

Lastly, it should be noted that in December 2021, the Board of Directors resolved, effective from 1 January 2022, to reorganise the Compliance Department in order to qualitatively and quantitatively strengthen the Regulatory Compliance Function, better organising the Department by identifying vertical controls in specific areas (for example, in the areas of banking transparency and customer protection, ICT compliance). Similarly, it was decided to rename the Human Resources Department in Chief People Officer Department, as well as the renaming of direct reporting structures, to be more consistent with the current context and to highlight the central role of people.

Organisational structure



PFA: Personal Financial Adviser



Organisational structure

Group management system

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

For this purpose, FinecoBank has defined rules for the governance of the FinecoBank Banking Group in order to fully exercise its role in managing and coordinating the Group[17], 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 as well as Human Resources, Identity & Communication, Organization/Business Continuity & Crisis Management/ICT/Security/Purchasing (Global Banking Services).

With the aim of achieving a strong functional and managerial connection at Group level, within the constraints set by applicable local laws and regulations, the Competence Line Managers have a direct role and, 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.

[17] 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

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 management plan for emergency events, *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 2021, the BCP and DRP were updated as appropriate, in alignment with business developments.

In the context of the ongoing pandemic emergency, the Bank has maintained remote working also during 2021 as the main emergency management measure, in addition to preventive and behavioural measures, implemented in accordance with the instructions from the National Health Service and other emergency management bodies.

The abovementioned remote working arrangements, extended to all employees from the initial months of the emergency, ensured business continuity and full maintenance of service levels and controls, as well as the personnel safety.

During the COVID-19 emergency, the Irish subsidiary Fineco Asset Management DAC also implemented remote working as main emergency measure, also updating its BCPs and DRPs during 2021, in line with governance guidance and business evolution.

Main balance sheet aggregates

(Amounts in € thousand)

	Amounts as at		Changes	
ASSETS	**12/31/2021**	**12/31/2020**	**Amounts**	**%**
Cash and cash balances	1,464,182	2,014,399	(550,217)	-27.3%
Financial assets held for trading	20,240	16,997	3,243	19.1%
Loans and receivables with banks	379,862	526,422	(146,560)	-27.8%
Loans and receivables with customers	6,001,596	4,527,837	1,473,759	32.5%
Financial investments	24,560,350	23,939,899	620,451	2.6%
Hedging instruments	125,913	74,451	51,462	69.1%
Property, plant and equipment	150,347	151,872	(1,525)	-1.0%
Goodwill	89,602	89,602	-	-
Other intangible assets	39,084	39,597	(513)	-1.3%
Tax assets	42,974	13,314	29,660	222.8%
Tax credits acquired	508,764	-	508,764	-
Other assets	484,261	360,627	123,634	34.3%
Total assets	**33,867,175**	**31,755,017**	**2,112,158**	**6.7%**

(Amounts in € thousand)

	Amounts as at		Changes	
LIABILITIES AND SHAREHOLDERS' EQUITY	**12/31/2021**	**12/31/2020**	**Amounts**	**%**
Deposits from banks	1,225,213	1,064,859	160,354	15.1%
Deposits from customers	29,847,722	28,359,739	1,487,983	5.2%
Debt securities in issue	497,266	-	497,266	-
Financial liabilities held for trading	4,417	5,889	(1,472)	-25.0%
Hedging instruments	65,263	232,102	(166,839)	-71.9%
Tax liabilities	35,864	13,954	21,910	157.0%
Other liabilities	464,633	391,349	73,284	18.7%
Shareholders' equity	1,726,797	1,687,125	39,672	2.4%
- capital and reserves	*1,351,963*	*1,366,387*	*(14,424)*	-1.1%
- revaluation reserves	*(5,877)*	*(2,833)*	*(3,044)*	107.4%
- net profit	*380,711*	*323,571*	*57,140*	17.7%
Total liabilities and Shareholders' equity	**33,867,175**	**31,755,017**	**2,112,158**	**6.7%**

Main balance sheet aggregates

Cash and cash balances

Cash and cash balances, which amounted to €1,464.2 million as at 31 December 2021 (€2,014.4 million as at 31 December 2020), consisted mainly of liquidity deposited on the HAM account (Home Accounting Model), an account used for short-term liquidity management, and TIPS (Target Instant Payment Settlement) with the Bank of Italy, for a total amount of €1,256.4 million, in addition to the liquidity deposited on the current accounts opened with credit institutions for the settlement of transactions on payment circuits, for the settlement of securities transactions, for the management of UK clients' liquidity and for the management of Fineco AM's liquidity, amounting to €207.5 million.

Financial assets held for trading

Financial assets held for trading totalled € 20.2 million and include financial instruments that meets the definition of held for trading, in particular:

- equities, amounting to € 14.8 million (€ 9.9 million as at December 31, 2020), 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 € 2.1 million (€ 3.7 million as at December 31, 2020), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the positive valuation of CFD derivatives (indices, shares, interest rates, commodities and forex), traded in counterpart of the customers, and derivative contracts settled or entered into with institutional counterparties used for the related operational hedging of the above-mentioned derivative contracts and of the derivative contracts Knock Out Options and Turbo Certificates issued, for a total amount of € 3.3 million (€ 3.4 million as at December 31, 2020).

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

Loans and receivables with banks

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amount	%
Loans and receivables with central banks	**298,040**	**271,500**	**26,540**	**9.8%**
Loans and receivables with banks	**81,822**	**254,922**	**(173,100)**	**-67.9%**
Time deposits	69,508	45,367	24,141	53.2%
Other loans:	12,314	209,555	(197,241)	-94.1%
1. Reverse repos	222	1,122	(900)	-80.2%
2. Others	12,092	208,433	(196,341)	-94.2%
Total	**379,862**	**526,422**	**(146,560)**	**-27.8%**

Loans and receivables with banks, amounting to € 379.9 million, show a decrease of 27.8% compared to December 31, 2020 mainly due to the reduction of the variation margins with credit institutions for transactions in derivative contracts booked in the item "Other loans – 2. Others".

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

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

The item “Other loans: 2. Others” consists of € 4 million for the amount of the initial and variations margins and collateral deposits placed with credit institutions for derivative transactions (€ 202.4 million as at December 31, 2020) and € 8.1 million for current receivables associated with the provision of financial services (€ 6 million as at December 31, 2020).

Main balance sheet aggregates

Loans and receivables with customers

(Amounts in € thousand)

	Amount as at		Changes	
	12/31/2021	12/31/2020	Amount	%
Current accounts	2,109,642	1,602,766	506,876	31.6%
Reverse repos	193,276	155,014	38,262	24.7%
Mortgages	2,479,355	1,668,286	811,069	48.6%
Credit cards and personal loans	824,223	733,360	90,863	12.4%
Other loans	395,100	368,411	26,689	7.2%
Total	**6,001,596**	**4,527,837**	**1,473,759**	**32.5%**

Loans and receivables with customers, amounting to € 6,001.6 million, up 32.5% compared to the amount as at December 31, 2020 and can be broken down as follows:

- credit facilities in current accounts of €2,109.6 million, up € 506.7 million compared to December 31, 2020, of which loans with a security collateral (in particular "Credit Lombard") totalled to € 2,061.3 million;
- € 193.3 million in reverse repos, up € 38.3 million compared to December 31, 2020, made by "Multiday leverage" with retail customers and stock lending transactions with transactions institutional customers, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities;
- € 2,479.4 million in mortgages, up € 811.1 million compared to December 31, 2020, thanks to the disbursements made in 2021, up 49.9% compared to 2020;
- € 824.2 million in credit cards (revolving and use) and personal loans, up € 90.9 million;
- € 395.1 million in other loans, mainly made by collateral deposits and initial and variation margins for derivative and financial instrument transactions, for an amount of € 253.4 million (€ 250 million as at December 31, 2020), and current receivables associated with the provision of financial services, for an amount of € 138.3 million (€ 114.5 million as at December 31, 2020).

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.

The portfolio of **loan receivables with ordinary customers** amounts to € 5,416.6 million and mainly consists of receivables for personal loans, mortgages, credit facilities in current accounts and credit card revolving and use; overall, loans receivable with ordinary customers increased of 35.1% thanks to the disbursement during 2021 of a further € 266 million in personal loan and € 1,030 million in mortgages in addition to new credit facilities in current accounts for a granted amount of € 1,467 million.

Main balance sheet aggregates

(Amounts in € thousand)

Loans and Receivables with Customers (Management Reclassification)	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amount	%
Current accounts	2,107,400	1,600,663	506,737	31.7%
Credit cards use	325,763	295,992	29,771	10.1%
Mortgages	2,478,473	1,667,948	810,525	48.6%
Personal loans	497,440	436,497	60,943	14.0%
Other loans	3,332	3,828	(496)	-13.0%
Performing loans	*5,412,408*	*4,004,928*	*1,407,480*	*35.1%*
Current accounts	2,242	2,103	139	6.6%
Mortgages	882	338	544	160.9%
Credit cards use	38	34	4	11.8%
Personal loans	982	837	145	17.3%
Other loans	52	67	(15)	-22.4%
Impaired loans	*4,196*	*3,379*	*817*	24.2%
Loans receivable with ordinary customers	**5,416,604**	**4,008,307**	**1,408,297**	**35.1%**
Reverse repos	193,176	154,963	38,213	24.7%
Reverse repos - impaired	100	51	49	96.1%
Collateral deposits and initial and variation margins	253,386	250,003	3,383	1.4%
Current receivables associated with the provision of financial services	138,246	114,411	23,835	20.8%
Current receivables associated with the provision of financial services - impaired	84	100	(16)	-16.0%
Current receivables and other receivables	***584,992***	***519,528***	***65,464***	***12.6%***
Loans and receivables with customers	**6,001,596**	**4,527,835**	**1,473,761**	**32.5%**

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	
	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020
Bad exposures	18,939	20,843	(16,798)	(18,818)	2,141	2,025	88.7%	90.3%
Unlikely to pay	3,478	3,427	(2,299)	(2,362)	1,179	1,065	66.1%	68.9%
Past-due loans	2,124	1,219	(1,063)	(778)	1,061	441	50.0%	63.8%
Total	**24,541**	**25,489**	**(20,160)**	**(21,958)**	**4,381**	**3,531**	**82.1%**	**86.1%**

The amount of non-performing loans net of impairment losses was € 4.4 million, of which € 2.1 million in bad exposures, € 1.2 million in unlikely to pay exposures and € 1.1 million in past-due loans. There was a reduction of approximately € 2 million in bad exposures as a result of write-offs recognised during the year. The impaired assets are the 0.08% of loan receivables with ordinary customers (the 0.09% as at December 31, 2020). The reduction in the coverage ratio of past due loans is mainly attributable to the classification in the 2021 of some positions represented by mortgages, whose coverage level is lower, as they are secured by mortgages, than that of unsecured exposures.

Main balance sheet aggregates

Financial investments

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amount	%
Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	5,538	10,988	(5,450)	-49.6%
Financial assets at fair value through other comprehensive income	39,017	143,698	(104,681)	-72.8%
Financial assets at amortised cost	24,514,501	23,785,213	729,288	3.1%
- financial assets at amortised cost with banks - debt securities	5,377,644	7,473,858	(2,096,214)	-28.0%
- financial assets at amortised cost with customers - debt securities	19,136,857	16,311,355	2,825,502	17.3%
Investments in associates and joint ventures	1,294	-	1,294	n.a.
Total	**24,560,350**	**23,939,899**	**620,451**	**2.6%**

“Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value” mainly consist of the Visa INC preferred shares class “C” for an amount of € 4.9 million, which booked a positive change in fair value in 2021 of € 0.4 million, and of the residual equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF), amounting to € 0.5 million (of which € 0.2 million related to the Carige transaction and € 0.3 million related to Carim, Carismi and CariCesena transaction), with a negative impact booked in 2021 income statement of €0.7 million (gross of taxes). For further details on the exposure to the Voluntary Scheme refer to Part A - Accounting Policies – Section 5 – Other matters of the notes to the consolidated accounts.

The preferred shares of Visa INC class "A" present in "Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value" at 31 December 2020 were sold during the 2021.

"Financial assets designated at fair value through other comprehensive income" consist of securities issued by sovereign States and residually of equity interests in companies in which the Group does not exercise control or significant influence for € 5 thousand for which, upon first application of IFRS 9, the "FVTOCI"[18] option was exercised. The following table shows the debt securities issued by sovereign States:

(Amounts in € thousand)

Counterparty	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amount	0.0%
France	-	37,275	(37,275)	-100.0%
USA	-	65,874	(65,874)	-100.0%
Ireland	39,012	40,544	(1,532)	-3.8%
Total	**39,012**	**143,693**	**(104,681)**	**-72.9%**

The debt securities recorded in "Financial assets at amortised cost" issued by banks include, in particular, bonds issued by UniCredit S.p.A. for a total amount of € 3,856.4 million (€ 5,738.9 million as at December 31, 2020), covered bonds issued by credit institutions and bonds issued by Supranational organisations and Supranational agencies that fall within the definition of credit institutions, for a total amount of € 1,521.2 million (€ 1,735 million as at December 31, 2020).

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

Main balance sheet aggregates

The debt securities recorded in "Financial assets at amortised cost" issued by customers refer mainly to bonds consist of securities issued by sovereign States and Supranational agencies. The breakdown by counterparty of securities issued by customers, including exposures to the European Financial Stability Facility and the European Stability Mechanism, are shown below. The remaining exposures, which amount of € 1,192.5 million (€ 533.9 million as at December 31, 2020) are mainly consist of exposures to local Authorities.

(Amounts in € thousand)

Counterparty	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amount	%
Italy	7,263,632	5,920,734	1,342,898	22.7%
Spain	4,749,778	4,321,136	428,642	9.9%
Germany	126,716	126,941	(225)	-0.2%
Poland		27,356	(27,356)	-100.0%
France	1,289,919	1,191,001	98,918	8.3%
USA	745,907	612,070	133,837	21.9%
Austria	519,695	520,526	(831)	-0.2%
Ireland	943,463	916,775	26,688	2.9%
United Kingdom	48,988	39,099	9,889	25.3%
Belgium	557,732	559,997	(2,265)	-0.4%
Portugal	386,528	393,700	(7,172)	-1.8%
Switzerland	44,164	46,662	(2,498)	-5.4%
Saudi Arabia	90,305	80,384	9,921	12.3%
Chile	215,488	52,668	162,820	309.1%
Israel	-	140,732	(140,732)	-100.0%
China	165,160	74,494	90,666	121.7%
Latvia	29,710	-	29,710	n.a.
Iceland	14,962	-	14,962	n.a.
EFSF (European Financial Stability Facility)	400,511	401,273	(762)	-0.2%
ESM (European Stability Mechanism)	351,692	351,872	(180)	-0.1%
Total	**17,944,350**	**15,777,420**	**2,166,930**	**13.7%**

Main balance sheet aggregates

Hedging instruments

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amount	%
Asset hedging derivatives - positive valuations	118,601	393	118,208	30078.4%
Liability hedging derivatives - positive valuations	8,847	18,610	(9,763)	-52.5%
Adjustment to the value of assets under macro-hedge	(1,535)	55,448	(56,983)	-102.8%
Total assets	**125,913**	**74,451**	**51,462**	**69.1%**
of which:				
Positive valuations	140,110	18,770	121,340	646.5%
Accrued interest	(12,662)	231	(12,893)	-5581.4%
Adjustments to the value of hedged assets	(1,535)	55,448	(56,983)	-102.8%
Total assets	**125,913**	**74,449**	**51,464**	**69.1%**
Asset hedging derivatives - negative valuations	57,313	214,388	(157,075)	-73.3%
Liability hedging derivatives - negative valuations	-	-	-	#DIV/0!
Adjustment to the value of assets under macro-hedge	-	17,714	(17,714)	-100.0%
Total liabilities	**57,313**	**232,102**	**(174,789)**	**-75.3%**
of which:				
Negative valuations	32,334	174,441	(142,107)	-81.5%
Accrued interest	24,979	39,947	(14,968)	-37.5%
Adjustments to the value of hedged liabilities	7,950	17,714	(9,764)	-55.1%
Total liabilities	**65,263**	**232,102**	**(166,839)**	**-71.9%**

(Amounts in € thousand)

Summary of hedging derivative valuations	Assets	Liabilities	Difference
Valuation of hedging derivatives for assets and liabilities	140,110	32,334	107,776
Change in macro fair value hedged of assets/liabilities	(1,535)	7,950	(9,485)
Change in micro fair value hedged of financial assets/liabilities	(96,605)	-	(96,605)
Total	**41,970**	**40,284**	**1,686**

As at December 31, 2021 the financial assets under macro-hedge consisted of mortgages with customers shown in “Financial assets at amortised cost”, while the financial liabilities under macro-hedge consisted of direct deposits with customers shown in “Financial liabilities at amortised cost”.

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

Positive and negative valuations of hedging derivatives related solely to derivative contracts that the Group has entered into to hedge against interest rate risk inherent in the above-mentioned assets and liabilities, whose income statement effect, net of € 37.6 million of negative accrued interest included in the net interest margin, was a positive amount of € 1.7 million.

Main balance sheet aggregates

Property, plant and equipment

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

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

Property, plant and equipment	Balance 12/31/2020	Investments year 2021	Other changes and sales Year 2021	Amortisation and impairment Year 2021	Balance 12/31/2021
Lands	23,932	-	-	-	23,932
Properties	107,842	11,775	(2,181)	(12,020)	105,416
Electronic equipment	13,847	6,329	(1)	(5,174)	15,001
Office furniture and fittings	3,092	1,356	-	(1,359)	3,089
Plant and machinery	3,159	721	4	(975)	2,909
Total	**151,872**	**20,181**	**(2,178)**	**(19,528)**	**150,347**

It should be noted that the Property, plant and equipment as at December 31, 2021 include the "right of use" relating to buildings for an amount of € 63.8 million, the "right of use" relating to plants and machinery for an amount of € 0.3 million.

Property, plant and equipment also include the book value of the property, where the Bank's registered office is located, located in Milan, piazza Durante 11, for a total amount of € 63.8 million, including property and land.

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 Asset Management DAC, through a vertically integrated business model.

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

Impairment testing on goodwill, performed on December 31, 2021, did not identify any impairment. For all other information on the impairment test, see Part B – Consolidated Balance Sheet in the 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 new regulatory and financial reporting requirements, amounting to € 11.5 million.

(Amounts in € thousand)

Intangibles assets	Balance 12/31/2020	Investments Year 2021	Other changes and sales Year 2021	Amortisation and impairment Year 2021	Balance 12/31/2021
Software	11,864	6,176	-	(6,541)	11,499
Brands	27,459	-	-	-	27,459
Other intangible assets	274	-	-	(148)	126
Total	**39,597**	**6,176**	**-**	**(6,689)**	**39,084**

Tax credits acquired

Tax credits acquired include the carrying amount of tax credits purchased during 2021 under Decree-Law 34/2020, for a carrying amount of € 508.8 million. They include both tax credits purchased as a result of assignment by direct beneficiaries and purchased as a result of assignment by previous purchasers.

Tax credits are initially recognised at the transaction price, including the initial costs directly attributable to the transaction, and subsequently measured using an IFRS 9 accounting model corresponding to a "Held To Collect" business model, which requires measurement at amortised cost. The income for the period recognised in the income statement is determined by amortising, on a financial basis, the difference between the nominal value of the tax credit purchased and the amount recognised to the customer plus the initial direct costs associated with the transaction (for further details on the accounting treatment, see Part A - Accounting Policies of the notes to the consolidated accounts).

Main balance sheet aggregates

Tax Assets and Other Assets

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amount	%
Tax assets				
Current assets	-	5,165	(5,165)	-100.0%
Deferred tax assets	43,056	28,859	14,197	49.2%
Deferred tax assets pursuant to Law 214/2011	2,772	3,300	(528)	-16.0%
Total before IAS 12 offsetting	*45,828*	*37,324*	*8,504*	*22.8%*
Offsetting with deferred tax liabilities - IAS 12	(2,853)	(24,010)	21,157	-88.1%
Total Tax assets	**42,975**	**13,314**	**29,661**	**222.8%**
Other assets				
Trade receivables according to IFRS15	5,397	3,603	1,794	49.8%
Current receivables not related with the provision of financial services	1,299	2,359	(1,060)	-44.9%
Improvement and incremental expenses incurred on leasehold assets	5,236	6,361	(1,125)	-17.7%
Definitive items not recognised under other items	14,593	15,632	(1,039)	-6.6%
- securities and coupons to be settled	1,435	1,135	300	26.4%
- other transactions	13,158	14,497	(1,339)	-9.2%
Tax items other than those included in the item "Tax assets"	352,224	258,997	93,227	36.0%
- tax advances	346,953	254,480	92,473	36.3%
- tax credit	5,271	4,486	785	17.5%
- tax advances on employee severance indemnities	-	31	(31)	-100.0%
Items awaiting settlement	6,480	2,627	3,853	146.7%
- notes, cheques and other documents	6,480	2,627	3,853	146.7%
Items in processing	5,900	5,600	300	5.4%
- POS, bancomat and Visa debit	5,897	5,591	306	5.5%
- others	3	9	(6)	-66.7%
Items in transit not allocated to relevant accounts	4	14	(10)	-71.4%
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	13,562	34,738	(21,176)	-61.0%
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	79,566	30,696	48,870	159.2%
Total other assets	**484,261**	**360,627**	**123,634**	**34.3%**

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

The increase in **Tax assets**, post IAS 12 offsetting, is mainly due to the recognition of deferred tax assets on goodwill realigned pursuant to Article 110 of Decree-Law 104/2020 for € 10 million and the recognition of the 2021 portion of the Patent Box tax benefit on software pursuant to Law 190/2014, as amended by Article 5 of Decree-Law 3/2015 for € 4.4 million.

With regard to **Other assets**, it should be noted that as at 31 December 2021, the prepaid expenses relating to the extraordinary incentive treatment that the Bank grants to financial advisors joining the Network were represented in the item "Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities", while as at 31 December 2020 they were represented in the item "Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities", amounting to € 19.5 million. Specific evidence was also provided for debit card transactions to be debited to customers, item "Items in processing - POS, bancomat and Visa debit", represented at 31 December 2020 in the item "Definitive items not recognised under other items - other transactions".

The increase in "Accrued income and prepaid expenses related to contracts with customers and other than capitalised in related financial assets or liabilities" is mainly due to the increase in prepaid expenses related to incentive plans for financial advisors and the above-mentioned different representation of prepaid expenses related to the extraordinary incentive treatment that the Bank grants to personal financial advisors joining the Network.

Main balance sheet aggregates

With reference to the item "Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities", without considering the above-mentioned different representation, the item would have recorded a decrease of € 1.6 million, determined by lower prepaid expenses related to administrative expenses.

Lastly, there was an increase in "Tax items other than those included in the item "Tax assets", amounting to €93.2 million, mainly due to higher advances paid, in their capacity as withholding agents, for substitute tax on miscellaneous income.

Deposits from banks

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amount	%
Deposits from central banks	**1,034,228**	**949,604**	**84,624**	**8.9%**
Deposits from banks	**190,985**	**115,255**	**75,730**	**65.7%**
Current accounts and demand deposits	62,800	43,317	19,483	45.0%
Loans	42,437	53,422	(10,985)	-20.6%
-Repos	42,437	53,422	(10,985)	-20.6%
Lease liabilities	3,910	4,225	(315)	-7.5%
Other liabilities	81,838	14,291	67,547	472.7%
Total	**1,225,213**	**1,064,859**	**160,354**	**15.1%**

Deposits from banks amount to € 1,225.2 million and show an increase of € 160.4 million compared to December 31, 2020.

The item “Deposits from central banks” includes, exclusively, the deposit opened with the Central Bank in the context of TLTRO III operations, which was increased in 2021 by € 95 million for participation in the 7th tranche of the programme.

The item “Current accounts and demand deposits” mainly consisted of current accounts opened by customer banks worth € 62.4 million (€ 42.6 million as at December 31, 2020).

The item “Loans - Repos” is represented by repos and securities lending transactions with credit institutions, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities. This item does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" transactions in table A.1.5 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidation - Quantitative information in the notes to the 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 derivative transactions and securities lending transactions for an amount of € 81.8 million (€ 14.2 million as at December 31, 2020).

Main balance sheet aggregates

Deposits from customers

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amount	%
Current accounts and demand deposits	29,518,974	28,033,748	1,485,226	5.3%
Time deposits	1	213	(212)	-99.5%
Loans	100,301	103,584	(3,283)	-3.2%
- Repos	100,301	103,584	(3,283)	-3.2%
Lease liabilities	61,425	61,988	(563)	-0.9%
Other liabilities	167,021	160,207	6,814	4.3%
Deposits from customers	**29,847,722**	**28,359,740**	**1,487,982**	**5.2%**

Deposits from customers totalled € 29,847.7 million, up € 1,488 million compared to December 31, 2020 and mainly consisting of current accounts with customers, increased by € 1,485.2 million (+5.3%).

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 € 91.9 million;
- repos on securities executed on MTS market and settled through a Central Counterparty, subject to accounting offsetting as set out in IAS 32, for an amount of € 8.4 million.

This item does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" transactions in table A.1.5 in Part E - Information on risks and related hedging policies - Section 2 - Risks of the prudential consolidation - Quantitative information in the notes to the 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 € 54.4 million (€ 54.5 million as at December 31, 2020), initial and variations margins for derivative and financial instrument transactions, which came to € 56.8 million (€ 47.9 million as at December 31, 2020) and other liabilities for rechargeable credit cards and bankers' drafts, amounting to € 55.8 million (€ 57.8 million at December 31, 2020).

Debt securities in issue

In October 2021, FinecoBank successfully completed the placement of its first market issue of Senior Preferred instruments for a nominal amount of € 500 million and a coupon for the first 5 years of 0.5%. The security is valued at amortised cost and has a book value of €497.3 million.

The placement was made with a view to complying with the fully loaded MREL requirement calculated on the total exposure for the purpose of calculating the Leverage Ratio currently required of the FinecoBank Group as from 1 January 2024.

Financial liabilities held for trading

Financial liabilities held for trading totalled € 4.4 million (€ 5.9 million as at December 31, 2020) and include financial instruments that meets the definition of held for trading, in particular:

- technical overdrafts, amounting to € 0.3 million (€ 0.5 million as at December 31, 2020), 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 € 1.9 million (€ 3.6 million as at December 31, 2020), which correspond to negative valuations booked under "Financial liabilities held for trading";

Main balance sheet aggregates

- the negative valuation of CFD derivatives (indices, shares, interest rates, commodities and forex), Knock Out Options and Turbo 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 € 2.2 million (€ 1.9 million as at December 31, 2020).

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.

Tax liabilities and Other liabilities

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amount	%
Tax liabilities				
Current liabilities	35,864	10,204	25,660	251.5%
Deferred tax liabilities	2,853	27,759	(24,906)	-89.7%
Total before IAS 12 offsetting	*38,717*	*37,963*	*754*	*2.0%*
Offset against deferred tax liabilities - IAS 12	(2,853)	(24,010)	21,157	-88.1%
Total Tax liabilities	**35,864**	**13,953**	**21,911**	**157.0%**
Other liabilities				
Payables to Directors and Statutory auditors	337	224	113	50.4%
Payables to employees	16,069	14,400	1,669	11.6%
Social security contributions payable	7,818	7,012	806	11.5%
Current payables not related with the provision of financial services	32,888	32,889	(1)	-0.0%
Payables for share-based payments	35	47	(12)	-25.5%
Definitive items not recognised under other items	51,357	49,338	2,019	4.1%
- securities and coupons to be settled	11,535	11,513	22	0.2%
- payment authorisations	27,339	28,777	(1,438)	-5.0%
- other items	12,483	9,048	3,435	38.0%
Tax items other than those included in the item "Tax liabilities"	102,033	48,532	53,501	110.2%
- sums withheld from third parties as withholding agent	54,332	37,519	16,813	44.8%
- other	47,701	11,013	36,688	333.1%
Illiquid items for portfolio transactions	15,407	23,273	(7,866)	-33.8%
Items awaiting settlement	88,879	83,525	5,354	6.4%
- outgoing bank transfers	88,851	83,522	5,329	6.4%
- POS and ATM cards	28	3	25	833.3%
Items in processing	1,018	662	356	53.8%
- incoming bank transfers	986	647	339	52.4%
- other items in processing	32	15	17	113.3%
Deferred income other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	361	160	201	125.6%
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	17,886	9,731	8,155	83.8%
Sums available to be paid to customers	8,756	3,991	4,765	119.4%
Provisions for employee severance pay	5,033	4,924	109	2.2%
Provisions for risks and charges	116,756	112,641	4,115	3.7%
Total Other liabilities	**464,633**	**391,349**	**73,284**	**18.7%**

Main balance sheet aggregates

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

The **Tax liabilities**, after IAS 12 offsetting, show an increase of €25.7 million mainly attributable to the recognition of current taxes.

For **Other liabilities**, it should be noted the increase in the item "Tax items other than those included in the item Tax liabilities" by € 53.5 million, mainly due to the increase in the liability recognised for stamp duty and the substitute tax on administered savings to be paid.

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

- Provisions for credit risk relating to commitments and financial guarantees issued that fall within the scope of application of impairment rules in accordance with IFRS 9, for an amount of € 52 thousand (€ 61 thousand as at December 31st, 2020);
- Provisions for risks and charges - Other provisions which include allowances for a total of € 116.7 million, for which, given a liability of uncertain amount and expiry date, a current obligation was identified as a result of a past event and the amount arising from fulfilment of said obligation could be estimated reliably.

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

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amount	%
Provision for risks and charges for commitments and financial guarantees given	**52**	**61**	**(9)**	**-14.8%**
Legal and fiscal disputes	**28,288**	**28,363**	**(75)**	**-0.3%**
- Pending cases	20,635	20,518	117	0.6%
- Complaints	3,917	4,109	(192)	-4.7%
- Tax disputes	3,736	3,736	-	0.0%
Staff expenses	**5,918**	**5,088**	**830**	**16.3%**
Other	**82,498**	**79,129**	**3,369**	**4.3%**
- Supplementary customer indemnity provision	79,801	73,136	6,665	9.1%
- provision for contractual payments and payments under non-competition agreements	434	416	18	4.3%
- Other provision	2,263	5,577	(3,314)	-59.4%
Provision for risks and charges - Other provision	**116,704**	**112,580**	**4,124**	**3.7%**
Total provision for risks and charges	**116,756**	**112,641**	**4,115**	**3.7%**

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

Main balance sheet aggregates

Shareholders' equity

(Amounts in € thousand)

	Amounts as at		Changes	
	12/31/2021	12/31/2020	Amount	%
Share capital	201,267	201,153	114	0.1%
Share premium reserve	1,934	1,934	-	0.0%
Reserves	650,202	664,492	(14,290)	-2.2%
- Legal reserve	40,253	40,229	24	0.1%
- Extraordinary reserve	550,415	571,229	(20,814)	-3.6%
- Treasury shares reserve	1,440	1,189	251	21.1%
- Other reserves	58,094	51,845	6,249	12.1%
(Treasury shares)	(1,440)	(1,189)	(251)	21.1%
Revaluation reserves	(5,877)	(2,833)	(3,044)	107.4%
Equity instruments	500,000	500,000	-	0.0%
Net profit (Loss) for the year	380,711	323,571	57,140	17.7%
Total	**1,726,797**	**1,687,128**	**39,669**	**2.4%**

As at December 31, 2021, the Bank's share capital came to € 201.3 million, divided into 609,899,770 ordinary shares with a par value of € 0.33 each. Share premium reserve amounts to € 1.9 million.

The reserves consisted of the:

- Legal reserve, amounting to € 40.3 million;
- Extraordinary reserve, amounting to € 550.4 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;
- Reserve for treasury shares held, amounting to € 1.4 million;
- Other reserves:
    - Reserve related to equity-settled plans, amounting to € 36.4 million;
    - Consolidation reserve, amounting to € 16.1 million;
    - Reserves of unavailable profits pursuant to Article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 5.6 million.

Consolidated Shareholders' equity includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement[19], issued for a total of € 200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%. During 2021 the payment of the related coupon had been accounted for in decrease of the Extraordinary reserve for € 7 million, net of the related taxation;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of € 300 million. The coupon for the first 5 years has been fixed at 5.875%. During 2021 the coupons paid were accounted for as a reduction in Extraordinary Reserve for an amount of € 12.8 million, net of related taxes.

The Board of Directors of FinecoBank on 9 February 2021, taking into account the favourable opinion of the Remuneration Committee which met on 8 February 2021, approved the implementation of the following incentive/loyalty schemes:

- Long-Term Incentive Plan 2018-2020 for employees. In particular, it was approved the allocation of 104,629 free ordinary shares to the beneficiaries of the first share tranche of the Plan, granted in 2018, and consequently a free share capital increase for a total amount of € 0.03 million with effect from 31 March 2021;
- 2015, 2016, 2017, 2018, 2019 and 2020 Incentive Schemes for employees. In particular, the allocation of 241,098 free ordinary shares to the beneficiaries of the fourth share tranche of the 2015 Incentive System, the third share tranche of the 2016 Incentive System, the second share tranche of the 2017 Incentive System, the first share tranche of the 2018 Incentive System, of the second share tranche of the severance agreed in 2018 for an executive with strategic responsibilities, awarded in 2019, and of the first share tranche of the 2019 Incentive System, and consequently a bonus share capital increase for a total amount of € 0.08 million effective as of 31 March 2021.

[19] Unrated and unlisted.

Main balance sheet aggregates

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

As reported in "Events during the period", it should be noted that taking into account the Recommendations of the European Central Bank ECB/2020/62 of 15 December 2020 and of the Bank of Italy of 16 December 2020, concerning the policies on dividend distributions and share buybacks that credit institutions and banking groups should adopt in the economic context burdened by the COVID-19 emergency, the Board of Directors of FinecoBank, which met on 9 February 2021, had resolved to propose to the Shareholders' Meeting the allocation of the entire 2020 profit to reserves, a proposal approved by the Shareholders' Meeting on 28 April 2021. On 23 July 2021, the European Central Bank decided not to extend Recommendation ECB/2020/62 beyond September 2021, inviting banks to adopt prudence in their decisions on dividends and share buybacks, carefully considering the sustainability of their business model and without underestimating the risk that additional losses could later affect the evolution of their capital profile when the support measures adopted expire. On 27 July 2021, the Bank of Italy also published a new Recommendation on dividend distribution and variable remuneration policies of banks, which repeals the Recommendation of 16 December 2020, whereby, in line with the decision taken by the European Central Bank communicated that the previous Recommendation on dividends and remuneration policies would remain in force until 30 September 2021 and that the Bank of Italy will return to adopting the criteria for the valuation of capital and dividend distribution and share repurchase plans by banks as part of the ordinary SREP process.

Without prejudice to the dialogue then underway with the Bank of Italy, taking into account the shareholders' equity resulting from the financial statements for the year ended 31 December 2020, the sustainability of the business model and the regulatory constraints to which FinecoBank is subject, also in its capacity as Parent Company of the FinecoBank Banking Group, the Board of Directors of 3 August 2021 resolved to propose to the Shareholders' Meeting the distribution of a unit dividend of € 0.53 for each of the 609,899,770 shares, to be distributed to Shareholders holding ordinary shares entitled to payment on the scheduled dividend date, for a total amount of € 323,246,878.10, drawn from the available revenue reserves. On 21 October 2021, the Shareholders' Meeting approved the above proposal. The coupon was detached on 22 November 2021 and paid on 24 November 2021.

As at 31 December 2021, the Group, specifically the Bank, held 122,866 shares of the Parent Company FinecoBank, in relation to the incentive plans for financial advisors, corresponding to 0.02% of the shares representing the share capital, for an amount of € 1.4 million. During 2021, 55,000 shares, amounting to €0.8 million, were purchased in relation to the "2020 PFA incentive scheme" in favour of financial advisors identified as " Key Personnel" and 11,548, 5,527, 10,306 and 24,687 FinecoBank ordinary shares, held in portfolio, under the "2016 PFA Incentive System", "2017 PFA Incentive System", "2018 PFA Incentive System" and "2019 PFA Incentive System" respectively, for a total amount of € 0.6 million. Consequently, the Treasury shares reserve increased by a total of € 0.2 million with a simultaneous reduction in the Extraordinary reserve.

The "Reserve related to Equity Settled plans" increased by € 5.8 million as a result of the recognition, during the vesting period of the instruments, of the economic and equity effects of the share-based payment agreements and settled with FinecoBank ordinary shares and was used for € 0.6 million following the allocation to the financial advisors of the share tranches relating to the "Incentive System 2016 PFA", "Incentive System 2017 PFA", "Incentive System 2018 PFA" and "Incentive System 2019 PFA" plan, for a total of 52,068 FinecoBank ordinary shares.

The Valuation reserves consist of:

- € 0.4 million from the net positive valuation reserve for debt securities issued by sovereign States accounted for in "Financial assets at fair value through other comprehensive income", which recorded a negative change of € 2 million during 2021, of which €-0.3 million related to the negative change in fair value and € -1.7 million related to the reversal to profit and loss of the reserve at 31 December 2020 for realisations;
- € -6.3 million from the negative reserve for defined benefit plans, which shows a negative change of € 1.1 million in 2021 due to the recognition of actuarial losses 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 12/31/2021	of which: Net Profit 12/31/2021
FinecoBank balances	**1,698,631**	**368,601**
Effect of consolidation of Fineco AM	89,740	73,684
Dividends from Fineco AM cashed in the period	(61,574)	(61,574)
Shareholders' equity and profit attributable to minorities	-	-
Balances attributable to the Group	**1,726,797**	**380,711**

Shareholders

As at December 31, 2021, the fully subscribed and paid-up share capital totalled €201,226,924.10, divided into 609,899,770 ordinary shares with a nominal value of € 0.33.

As at December 31, 2021, the major shareholders were:

Major Shareholders	**% owned**
BlackRock Inc.	9.196%
Capital Research and Management Company	5.040%
FMR LLC	3.375%

Income Statement Figures

Consolidated Income Statement

(Amounts in € thousand)

	Year		Changes	
	2021	2020	Amounts	%
Financial margin	280,030	279,733	297	0.1%
of which Net interest	247,889	270,728	(22,839)	-8.4%
of which Profits from Treasury	32,141	9,005	23,136	256.9%
Dividends and other income from equity investments	(26)	-	(26)	-
Net fee and commission income	450,808	379,351	71,457	18.8%
Net trading, hedging and fair value income	74,308	86,769	(12,461)	-14.4%
Net other expenses/income	(1,310)	1,933	(3,243)	-167.8%
REVENUES	**803,810**	**747,786**	**56,024**	**7.5%**
Staff expenses	(109,600)	(99,546)	(10,054)	10.1%
Other administrative expenses	(262,546)	(228,536)	(34,010)	14.9%
Recovery of expenses	139,471	110,512	28,959	26.2%
Impairment/write-backs on intangible and tangible assets	(26,218)	(25,440)	(778)	3.1%
Operating costs	**(258,893)**	**(243,010)**	**(15,883)**	**6.5%**
OPERATING PROFIT (LOSS)	**544,917**	**504,776**	**40,141**	**8.0%**
Net impairment losses on loans and provisions for guarantees and commitments	(1,655)	(3,344)	1,689	-50.5%
NET OPERATING PROFIT (LOSS)	**543,262**	**501,432**	**41,830**	**8.3%**
Other charges and provisions	(49,938)	(34,076)	(15,862)	46.5%
Net income from investments	1,079	(6,262)	7,341	117.2%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**494,403**	**461,094**	**33,309**	**7.2%**
Income tax for the year	(113,692)	(137,523)	23,831	-17.3%
PROFIT (LOSS) FOR THE YEAR	**380,711**	**323,571**	**57,140**	**17.7%**
NET PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP	**380,711**	**323,571**	**57,140**	**17.7%**

Financial margin

Financial margin stood at €280 million, stable compared to the previous year (+€0.3 million) thanks to Profits from Treasury, which offset the decrease in net interest income caused mainly by the fall in market interest rates.

Net interest in 2021 amounted to € 247.9 million, down 8.4% on the previous year due mainly to the expansive policies of the European Central Bank, which have led to a fall in interest rates, and a reduction in credit spreads. The yields on securities subscribed in 2021 were lower than those on UniCredit S.p.A. securities, which reached their natural maturity in 2021, and which had been subscribed in a more favourable market environment. The reduction in this item was partially offset by the positive contribution made by the increase in lending activities. The item Net interest also includes income generated by securities lending activities carried out by the Parent Company's treasury, amounting to € 4.7 million (€ 3.1 million in 2020).

The average gross margin on interest-earning assets stood at 0.80% (1.00% as at December 31, 2020).

Profits from Treasury amounted to €32.1 million and included net gains generated from the sale of securities accounted for in "Financial assets at amortised cost" of €29.2 million (€7.2 million in 2020) and net gains generated from the sale of securities accounted for in "Financial assets at fair value through comprehensive income" of €2.9 million (€1.8 million in 2020). The sales took place in accordance with IFRS9 and in application of the rules defined for the HTC business model.

Income Statement Figures

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	
	2021	2020	Amount	%
Financial assets at fair value through comprehensive income	695	1,274	(579)	-45.4%
Other financial assets mandatorily at fair value	4	3	1	33.3%
Financial assets at amortised cost - Debt securities issued by banks	59,469	99,645	(40,176)	-40.3%
Financial assets at amortised cost - Debt securities issued by customers	133,349	127,013	6,336	5.0%
Financial assets at amortised cost - Loans and receivables with banks	89	30	59	196.7%
Financial assets at amortised cost - Loans and receivables with customers	75,768	65,936	9,832	14.9%
Hedging derivatives	(34,309)	(21,024)	(13,285)	63.2%
Other assets	2,448	436	2,012	461.5%
Financial liabilities	13,085	5,005	8,080	161.4%
Other financial margins from Treasury activities	4,740	3,057	1,683	55.1%
Total interest income	**255,338**	**281,375**	**(26,037)**	**-9.3%**

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

Interest income on Financial assets at amortised cost - Debt securities issued by banks mainly refer to interest accrued on bonds issued by UniCredit S.p.A.. The decrease is mainly due to the reduction in market rates and a reduction in volumes due to the redemption of maturing securities.

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

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

(Amounts in € thousand)

Breakdown of interest income	Year		Changes	
	2021	2020	Amount	%
Interest income on loans and receivables with banks	**89**	**30**	**59**	**196.7%**
- reverse repos	1	13	(12)	-92.3%
- time deposits	88	17	71	417.6%
Interest income on loans and receivables with customers	**75,768**	**65,936**	**9,832**	**14.9%**
- current accounts	15,963	14,326	1,637	11.4%
- reverse repos	16,001	11,348	4,653	41.0%
- mortgages	22,362	18,370	3,992	21.7%
- credit cards	3,996	4,538	(542)	-11.9%
- personal loans	17,408	17,297	111	0.6%
- other loans	38	57	(19)	-33.3%

Interest income on loans and receivables with banks a no significant changes compared to 2020.

Interest income on loans and receivables with customers amounted to € 75.8 million, showing an increase of 14.9% compared to the previous year, with a positive contribution from all technical forms of lending thanks to growth in volumes, with the exception of credit cards, which decreased by 11.9%.

Hedging derivatives item includes the positive and negative differentials of derivative contracts entered into to hedge interest rate risk.

Income Statement Figures

Interest income recognised in Other assets includes interest accrued on purchased tax credits in the amount of €2.4 million. As described above, the item also includes interest accrued on sight receivables from banks recognised in "Cash and cash balances". It should be noted that in line with the reclassification in the balance sheet of on-demand receivables from banks, in the technical form of current accounts and deposits, from the item "Financial assets at amortised cost" to the item "Cash and cash balances", introduced by the 7th update of Circular No. 262 "Banks' financial statements: layouts and preparation", interest accrued on the same assets was reclassified from the item "Financial assets at amortised cost - Loans and receivables with banks" to the item "Other assets". In 2020, this interest amounted to €0.4 million.

Interest income recognised on Financial liabilities mainly relates to interest accrued on the TLTRO III operation, in the amount of € 10.4 million (€0.4 million in 2020), and interest recognised on repurchase agreements made on the MTS market, in the amount of € 2.1 million (€ 4.2 million in 2020).

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

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	
	2021	2020	Amount	%
Financial liabilities at amortised cost - Deposits from banks	(109)	(231)	122	-52.8%
Financial liabilities at amortised cost - Deposits from customers	(1,541)	(6,956)	5,415	-77.8%
Debt securities in issue	(614)	-	(614)	n.a.
Financial assets	(5,185)	(3,460)	(1,725)	49.9%
Total interest expenses	**(7,449)**	**(10,647)**	**3,198**	**-30.0%**
Net interest	**247,889**	**270,728**	**(22,839)**	**-8.4%**
Profits from Treasury	**32,141**	**9,005**	**23,136**	**256.9%**
Financial margin	**280,030**	**279,733**	**297**	**0.1%**

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	
	2021	2020	Amount	%
Interest expenses on deposits from banks	**(109)**	**(231)**	**122**	**-52.8%**
- current accounts		(98)	98	-100.0%
- other loans	(18)	(24)	6	-25.0%
- lease liabilities	(91)	(109)	18	-16.5%
Interest expenses on deposits from customers	**(1,541)**	**(6,956)**	**5,415**	**-77.8%**
- current accounts	(652)	(5,997)	5,345	-89.1%
- time deposits		(4)	4	-100.0%
- lease liabilities	(889)	(955)	66	-6.9%

Interest expenses on deposits from banks didn't show significant changes compared to the 2020.

Interest expenses on deposits from customers amounted to € 1.5 million, down by 77.8% compared to the previous year, thanks to lower interest expenses on customer current accounts.

Interest expenses on Debt Securities in issue refers to interest accrued on the Senior Preferred Bond issued by FinecoBank on 14 October 2021 with a view to complying with the fully loaded MREL requirement calculated on the total exposure for the purpose of calculating the Leverage Ratio currently required of the FinecoBank Group from 1 January 2024.

Income Statement Figures

Interest expenses on financial assets mainly relates to interest recognised on initial margins and guarantee deposits paid for derivative and capital market transactions, interest recognised on securities owned and interest recognised on cash at banks and central banks.

Income from brokerage and other income

(Amounts in € thousand)

	Year		Changes	
	2021	2020	Amounts	%
Financial margin	280,030	279,733	297	0.1%
Dividends and other income from equity investments	(26)	-	(26)	n.a.
Net fee and commission income	450,808	379,351	71,457	18.8%
Net trading, hedging and fair value income	74,308	86,769	(12,461)	-14.4%
Net other expenses/income	(1,310)	1,933	(3,243)	-167.8%
REVENUES	**803,810**	**747,786**	**56,024**	**7.5%**

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 2021 following the equity valuation of Hi-MTF Sim S.p.A., a company subject to significant influence.

Net fee and commission income

(Amounts in € thousand)

Management reclassification	Year		Changes	
	2021	2020	Amount	%
Brokerage	**126,225**	**133,492**	**(7,267)**	**-5.4%**
of which:				
- Equity	109,463	109,457	6	0.0%
- Bond	4,623	8,762	(4,139)	-47.2%
- Derivatives	10,138	13,424	(3,286)	-24.5%
- Other commissions	2,001	1,849	152	8.2%
Investing	**275,946**	**212,421**	**63,525**	**29.9%**
of which:				
- Placement fees	7,483	6,315	1,168	18.5%
- Management fees	327,875	252,489	75,386	29.9%
- Other	4,846	1,633	3,213	196.8%
- Other to PFA	(64,258)	(48,016)	(16,242)	33.8%
Banking	**49,212**	**34,209**	**15,003**	**43.9%**
Other	**(575)**	**(771)**	**196**	**-25.4%**
Total	**450,808**	**379,351**	**71,457**	**18.8%**

Net commissions increased by € 71.5 million compared to the previous year, mainly thanks to the fees and commissions generated by the Investing segment (+€ 63.5 million), thanks to the increase in average assets under management, generated by net inflows and a positive market effect, and the increased contribution of Fineco AM. In this regard, it should be noted that the ratio of Guided Products and Services to total assets under management stood at 76% at 31 December 2021 compared to 73% at 31 December 2020. In 2021, the subsidiary Fineco AM generated net fee and

Income Statement Figures

commission income of € 98.2 million. With regard to the net fee and commission income generated by the Banking segment (+€ 15 million), while net commissions related to Brokerage decreased (-€7.3 million), due to a market environment characterised by lower volatility than in 2020, while still maintaining a high value thanks to the increase in the customer base operating on the Bank's platform and the review of the offer.

Net trading, hedging and fair value income was mainly generated by profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivative contracts and the exchange differences on assets and liabilities denominated in currency, that was down € 12.5 million compared to the previous year. In this respect, it should be noted that the increase in the customer base operating on the Bank's platform, the increase in market share and the review of the offer made it possible to partially offset the reduction in the extremely positive results recorded in 2020 thanks to the market context which had been characterised by strong volatility.

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" preferred shares and the equity exposure to the Voluntary Scheme established by the National Interbank Deposit Guarantee Fund, whose fair-value measurements respectively generated, in the year 2021, a gain of € 0.4 million (+€ 0.6 million in 2020) and a loss of € 0.7 million (-€ 1.4 million in 2020). During the year, the Visa INC Class "A" preferred shares held in portfolio at 31 December 2020 were sold, generating a positive result in the 2021 income statement of € 0.3 million (the total profit recognised on Visa INC Class "A" preferred shares was € 5.1 million, gross of taxes).

Net other expenses/income is negative for € 1.3 million and show a reduction in € 3.2 million compared to the previous year. In 2021, the item includes indemnities and refunds paid to customers for costs erroneously charged in relation to the transparency of banking transactions and services and the fairness of customer relations for approximately €1.5 million, as well as higher charges for lawsuits and settlements and lower insurance refunds.

Operating costs

(Amounts in € thousand)

	Year		Changes	
	2021	2020	Amount	%
Staff expenses	(109,600)	(99,546)	(10,054)	10.1%
Other administrative expenses	(262,546)	(228,536)	(34,010)	14.9%
Recovery of expenses	139,471	110,512	28,959	26.2%
Impairment/write-backs on intangible and tangible assets	(26,218)	(25,440)	(778)	3.1%
Total operating costs	**(258,893)**	**(243,010)**	**(15,883)**	**6.5%**

Operating costs show an increase compared to the previous year (+6.5%), growth that is however contained with respect to the expansion of activities, assets, customers, structure and staff, certified by the cost/income ratio, which stood at 32.2% (32.5% at 31 December 2020).

Income Statement Figures

Staff expenses amounted to € 109.6 million, of which € 8.2 million relating to staff expenses of Fineco AM, increasing by 10.1% compared to the previous year, thanks to continuous growth of the operating structure. In fact, the number of employees rose from 1,262 resources as at December 31, 2020 to 1,305 resources as at December 31, 2021.

(Amounts in € thousand)

Staff expenses	Year		Changes	
	2021	2020	Amount	%
1) Employees	**(107,508)**	**(97,593)**	**(9,915)**	**10.2%**
- wages and salaries	(73,451)	(66,653)	(6,798)	10.2%
- social security contributions	(17,850)	(17,085)	(765)	4.5%
- provision for employee severance pay	(748)	(916)	168	-18.3%
- allocation to employee severance pay provision	(60)	(65)	5	-7.7%
- payment to supplementary external pension funds:	(5,169)	(4,263)	(906)	21.3%
a) defined contribution	(5,169)	(4,263)	(906)	21.3%
- costs related to share-based payments*	(4,703)	(3,817)	(886)	23.2%
- other employee benefits	(5,527)	(4,794)	(733)	15.3%
2) Directors and statutory auditors	**(2,096)**	**(1,800)**	**(296)**	**16.4%**
3) Recovery of expenses for employees seconded to other companies	**13**	**36**	**(23)**	**-63.9%**
4) Recovery of expenses for employees seconded to the company	**(9)**	**(189)**	**180**	**-95.2%**
Total staff expenses	**(109,600)**	**(99,546)**	**(10,054)**	**10.1%**

Income Statement Figures

(Amounts in € thousand)

Other Administrative Expenses and Recovery of expenses	Year		Changes	
	2021	2020	Amount	%
1) INDIRECT TAXES AND DUTIES	**(145,162)**	**(117,044)**	**(28,118)**	**24.0%**
2) MISCELLANEOUS COSTS AND EXPENSES				
A) Advertising expenses - Marketing and communication	**(20,898)**	**(22,896)**	**1,998**	**-8.7%**
Mass media communications	(17,686)	(20,268)	2,582	-12.7%
Marketing and promotions	(2,749)	(2,203)	(546)	24.8%
Sponsorships	(456)	(360)	(96)	26.7%
Conventions and internal communications	(7)	(65)	58	-89.2%
B) Expenses related to credit risk	**(1,549)**	**(1,442)**	**(107)**	**7.4%**
Credit recovery expenses	(240)	(181)	(59)	32.6%
Commercial information and company searches	(1,309)	(1,261)	(48)	3.8%
C) Indirect expenses related to personnel and to personal financial advisors	**(2,455)**	**(2,164)**	**(291)**	**13.4%**
Other staff expenses	(245)	(579)	334	-57.7%
Personal financial advisors expenses	(2,015)	(1,282)	(733)	57.2%
Travel expenses	(140)	(248)	108	-43.5%
Premises rentals for personnel	(55)	(55)	-	0.0%
D) ICT expenses	**(51,275)**	**(46,108)**	**(5,167)**	**11.2%**
Lease of ICT equipment and software	(3,121)	(3,131)	10	-0.3%
Software expenses: lease and maintenance	(12,294)	(11,244)	(1,050)	9.3%
ICT communication systems	(7,359)	(8,359)	1,000	-12.0%
Consultancy and ICT services provided by third parties	(14,113)	(10,068)	(4,045)	40.2%
Financial information providers	(14,388)	(13,306)	(1,082)	8.1%
E) Consultancies and professional services	**(5,164)**	**(4,381)**	**(783)**	**17.9%**
Consultancies and professional services on ordinary activities	(3,881)	(3,219)	(662)	20.6%
Consultancies and professional services for one-off regulatory compliance projects	(40)	(67)	27	-40.3%
Consultancies and professional services for strategy, business development and organisational optimisation	(551)	(676)	125	-18.5%
Legal expenses	(461)	(256)	(205)	80.1%
Legal disputes	(231)	(163)	(68)	41.7%
F) Real estate expenses	**(4,722)**	**(4,440)**	**(282)**	**6.4%**
Real estate services		(85)	85	-100.0%
Repair and maintenance of furniture, machinery, and equipment	(404)	(132)	(272)	206.1%
Maintenance of premises	(921)	(524)	(397)	75.8%
Premises rentals	(937)	(962)	25	-2.6%
Cleaning of premises	(326)	(861)	535	-62.1%
Utilities	(2,134)	(1,876)	(258)	13.8%
G) Other functioning costs	**(29,127)**	**(27,853)**	**(1,274)**	**4.6%**
Surveillance and security services	(280)	(199)	(81)	40.7%
Postage and transport of documents	(3,460)	(3,319)	(141)	4.2%
Administrative and logistic services	(17,179)	(16,450)	(729)	4.4%
Insurance	(3,992)	(3,622)	(370)	10.2%
Printing and stationery	(577)	(721)	144	-20.0%
Association dues and fees	(2,323)	(2,019)	(304)	15.1%
Other administrative expenses	(1,316)	(1,523)	207	-13.6%
H) Adjustments of leasehold improvements	**(2,194)**	**(2,209)**	**15**	**-0.7%**
I) Recovery of costs	**139,471**	**110,512**	**28,959**	**26.2%**
Recovery of ancillary expenses	43	69	(26)	-37.7%
Recovery of taxes	139,428	110,443	28,985	26.2%
Total other administrative expenses and recovery of expenses	**(123,075)**	**(118,025)**	**(5,050)**	**4.3%**

Income Statement Figures

Other administrative expenses net of **Recovery of expenses** came to € 123.1 million, with an increase of € 5.1 million compared to the previous year. As described above, the increase is mainly due to expenses closely related to the growth of the business, including:

- "ICT expenses" for € 5.2 million, referred to higher "Software expenses: lease and maintenance" for € 1.1 million, "Consultancy and ICT services provided by third parties" for € 4 million and "Financial information providers" for € 1.1 million;
- "Other functioning costs" for € 1.3 million, mainly due to the increase in the item "Administrative and logistic services" for € 0.7 million.

While there was a reduction in "Advertising expenses - Marketing and communication", for € 2 million.

The item "**Indirect taxes and duties**", net of "Tax recoveries", also decreased by € 0.9 million.

Impairment/write-backs on intangible and tangible assets show an increase of € 0.8 million mainly referred to the depreciation recognized on software.

Profit/(loss) before tax from continuing operations

(Amounts in € thousand)

	Year		Changes	
	2021	2020	Amount	%
OPERATING PROFIT (LOSS)	**544,917**	**504,776**	**40,141**	**8.0%**
Net impairment losses on loans and provisions for guarantees and commitments	(1,655)	(3,344)	1,689	-50.5%
NET OPERATING PROFIT (LOSS)	**543,262**	**501,432**	**41,830**	**8.3%**
Other charges and provisions	(49,938)	(34,076)	(15,862)	46.5%
Net income from investments	1,079	(6,262)	7,341	-117.2%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**494,403**	**461,094**	**33,309**	**7.2%**

Net write-downs of loans and provisions for guarantees and commitments in 2021 amounted to -€ 1.7 million (-€ 3.3 million in 2020) and benefit from reversals of impairment losses due to the improvement in the macroeconomic scenario for an amount of approximately €2 million, determined on the basis of the evidence resulting from the IFRS9 impairment models.

Other charges and provisions amounted to € 49.9 million, up 46.5% on 2020. Specifically, there was an increase in the contributions paid to the Interbank Deposit Guarantee Fund under the Deposit Guarantee Scheme (DGS) totalling € 32.3 million compared to € 25.9 million paid in the previous year, primarily due to the increase in ordinary contributions requested from members for the year 2021. In addition, during the year, the ordinary annual contribution required for the year 2021, in accordance with Directive 2014/59/EU (Single Resolution Fund), was recognised in the amount of € 5.8 million (€ 0.7 million in 2020), and the Bank of Italy called in additional contributions to the National Resolution Fund pursuant to Article 1, paragraph 848 of Law 208/2015; the contribution payable by the Bank was € 1.9 million (€ 0.2 million in 2020).

Net income from investments amounted to €1.1 million, showing an increase of €7.3 million compared to 2020, and benefited from write-backs of approximately € 3.1 million due to the improvement in the macroeconomic scenario, determined on the basis of the evidence resulting from the IFRS9 impairment models. It should be noted that in 2020, the updated macroeconomic scenarios had resulted in impairment losses of approximately € 5.5 million.

Profit (loss) before tax from continuing operations amounted to € 494.4 million, increasing by 7.2 % on the on the previous year. The result was achieved, mainly, thanks to the increase in Net commissions (+€ 71.5 million), partially offset by the reduction in Net trading, hedging and fair value income (-€ 12.5 million), by higher Operating Cost (-€ 15.9 million) and higher systemic charges recognised in Other charges and provisions (-€ 15.9 million). It should be noted that the result also benefited from write-backs recognised in Net adjustments to loans and provisions for guarantees and commitments and in Net investment income due to the improvement in the macroeconomic scenario. Excluding non-recurring items in the year 2021 as previously described[20], Profit before tax from continuing operations would have been € 495,1 million, up 7.1 % compared to year 2020 (also net of non-recurring items[21]).

[20] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 0.7 million (gross of tax effect).
[21] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 1.4 million (gross of tax effect).

Income Statement Figures

Income tax for the year

(Amounts in € thousand)

Income tax for the year	Year		Changes	
	2021	2020	Amount	%
Current IRES income tax charges	(111,477)	(88,676)	(22,801)	25.7%
Current IRAP corporate tax charges	(26,001)	(21,560)	(4,441)	20.6%
Current foreign corporate tax charges	(10,592)	(7,570)	(3,022)	39.9%
Total current tax	**(148,070)**	**(117,806)**	**(30,264)**	**25.7%**
Change in deferred tax assets	13,121	(19,638)	32,759	-166.8%
Change in deferred tax liabilities	23,928	(80)	24,008	-30010.0%
Total deferred tax liabilities	**37,049**	**(19,718)**	**56,767**	**-287.9%**
Substitute tax	(2,671)	-	(2,671)	n.a.
Income tax for the year	**(113,692)**	**(137,524)**	**23,832**	**-17.3%**

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

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

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

With reference to the Patent Box pursuant to former Law 190/2014, as amended by Article 5 of Law Decree no. 3/2015, after having claimed the tax benefit for the five-year period 2015-2019 following an agreement with the Revenue Agency in 2020 for the trademark and certain software, taking into account the acceptance of the renewal request for the subsequent five-year period 2020-2024 and pending the definition of the envisaged ruling agreement, in the 2021 financial year the estimated benefit envisaged with regard to software was recognised on an accrual basis - given the exclusion of the trademark by express regulatory provision.

In addition, FinecoBank exercised the option to realign goodwill under article 110 of Decree-Law 104/2020. The aforementioned provision entailed, against the payment of the substitute tax on the realignment of € 2.7 million, the release to the income statement of pre-existing IRES deferred tax liabilities of € 24.5 million and the recognition of IRES deferred tax assets of € 8.5 million and IRAP of € 1.7 million. Consequently, a tax suspension restriction was placed on the extraordinary reserve in the amount of € 86.4 million. Starting from the financial year 2021, the amortisation plan for goodwill began for a quota equal to one-fiftieth of the realigned amount.

Income Statement Figures

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 € 380.7 million, with an increase of 17.7% on the previous year. Excluding the non-recurring items accounted for in 2021 mentioned before[22] the Net profit for the year should be € 349.2 million, up 7.6% compared to the net profit of 2020 net of non-recurring items[23].

[22] Tax benefit arising from the tax realignment of goodwill carried out by FinecoBank, as provided for by Article 110 of Legislative Decree 104 of 2020, in the amount of € 32 million, and change in the fair value of the equity exposure to the Voluntary Scheme established by the Interbank Deposit Protection Fund in the amount of € -0.5 million (net of tax effect).
[23] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 1.0 million (net of tax effect).

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

The key figures, reclassified Balance sheet and Income statement are shown below in comparison with those of the 2020 financial year and a report on the results achieved by FinecoBank S.p.A. at individual level is shown as well.

Key figures

Operating structure

	Data as at	
	12/31/2021	12/31/2020
No. Employees	1,261	1,226
No. Personal financial advisors	2,790	2,606
No. Financial shops [1]	424	410

(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	
	12/31/2021	12/31/2020	Amounts	%
Loans receivable with ordinary customers [1]	5,416,604	4,008,307	1,408,297	35.1%
Total assets	33,819,561	31,725,094	2,094,467	6.6%
Direct deposits [2]	29,495,292	28,013,982	1,481,310	5.3%
Assets under administration [3]	78,420,121	63,695,135	14,724,986	23.1%
Total customers sales (direct and indirect)	107,915,413	91,709,117	16,206,296	17.7%
Shareholders' equity	1,698,631	1,671,070	27,561	1.6%

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

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Balance Sheet indicators

	Data as at	
	12/31/2021	12/31/2020
Loans receivable with ordinary customers/Total assets	16.02%	12.64%
Loans and receivables with banks/Total assets	1.09%	1.62%
Financial assets/Total assets	72.63%	75.47%
Direct sales/Total liabilities and Shareholders' equity	87.21%	88.30%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	5.02%	5.27%
Ordinary customer loans/Direct deposits	18.36%	14.31%

Credit quality	Data as at	
	12/31/2021	12/31/2020
Non-performing loans/Loans receivable with ordinary customers	0.08%	0.09%
Bad loans/Loans receivable with ordinary customers	0.04%	0.05%
Coverage [1] - Bad loans	88.70%	90.29%
Coverage [1] - Unlikely to pay	66.10%	68.92%
Coverage [1] - Impaired past-due exposures	50.05%	63.82%
Coverage [1] - Total Non-performing loans	82.15%	86.15%

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

Own funds and capital ratios

	Data as at	
	12/31/2021	12/31/2020
Common Equity Tier 1 Capital (€ thousand)	840,053	1,072,855
Total Own Funds (€ thousand)	1,340,053	1,572,855
Total risk-weighted assets (€ thousand)	4,576,088	3,781,238
Ratio - Common Equity Tier 1 Capital	18.36%	28.37%
Ratio - Tier 1 Capital	29.28%	41.60%
Ratio - Total Own Funds	29.28%	41.60%

	Data as at	
	12/31/2021	12/31/2020
Tier 1 Capital (€ thousand)	1,340,053	1,572,855
Exposure for leverage (€ thousand)	33,997,696	32,762,206
Leverage ratio	3.94%	4.80%

The Bank’s prudential requirements as at 31 December 2021 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26, 2013 and subsequent Directives/Regulations amending their content, in particular Directive (EU) 878/2019 (CRD V), Regulation (EU) 876/2019 (CRR II) and Regulation (EU) 873/2020 of the European Parliament and of the Council (CRR Quick-fix), which transpose into the European Union the standards defined by the Basel Committee on Banking Supervision (Basel III framework), collected and implemented by the Bank of Italy through Circular No. 285 of 17 December 2013 "Supervisory Provisions for Banks" and subsequent updates.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

As at 31 December 2021 the Own funds amounted to € 1,340.1 million, including the profit for 2021, equal to € 368.6 million, net of dividends to be distributed totaling € 237.9 million, which the Board of Directors will propose for approval at the Shareholders' Meeting called for 28 April 2022, and foreseeable charges of € 1.5 million, represented by the coupons, net of the related taxation, accrued on the Additional Tier 1 financial instruments issued by FinecoBank, assuming that the conditions provided for in Art. 26 (2), of EU Regulation 575/2013 (CRR) are met.

It should be noted that the Own Funds as at 31 December 2020 included the profits for the years 2019 and 2020, which were entirely allocated to reserves in line with the recommendations of the European Central Bank and the Bank of Italy on dividend policy in force at the time. As previously described, following the decision of the European Central Bank and the Bank of Italy not to extend their recommendations on dividend distribution beyond September 2021, FinecoBank's Ordinary Shareholders' Meeting, which met on 21 October 2021, approved the proposal to distribute a dividend, drawn from the available profit reserves, totalling € 323.2 million, with a consequent reduction in Own Funds.

The increase in Risk-Weighted Assets in 2021 is mainly driven by credit risk, due to the growth of the business and, in particular, to lending to customers and financial investments, also following the different regulatory treatment of exposures to UK counterparties due to Brexit. In addition, the update of the Relevant Indicator, with the inclusion of 2021 revenues and the exclusion of 2018 revenues, and the introduction of the new SA-CCR methodology required by CRR II generated an increase in operational risk and counterparty risk respectively.

With regard to the Leverage ratio, it should be noted that, in view of the provisions contained in the European Central Bank and the Bank of Italy communications of 18 June 2021 and 30 June 2021 respectively, declaring the existence of exceptional circumstances that began on 31 December 2019, starting from the reference date of 30 June 2021, the FinecoBank has applied the provisions of Article 429 bis of the CRR, which allows certain exposures to central banks to be excluded from the overall Leverage exposure in light of the COVID-19 pandemic. As at 31 December 2021, the value of the exemption is equal to € 1,554 million, with an impact on the indicator of +0.17%. The leverage ratio stands at 3.94%, which is well above the applicable minimum regulatory requirement (adjusted leverage ratio) of 3.19%.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Condensed Accounts

Balance sheet

(Amounts in € thousand)

ASSETS	Amounts as at 12/31/2021	Amounts as at 12/31/2020	Changes Amounts	Changes %
Cash and cash balances	1,442,791	2,006,348	(563,557)	-28.1%
Financial assets held for trading	20,240	16,997	3,243	19.1%
Loans and receivables with banks	369,863	514,423	(144,560)	-28.1%
Loans and receivables with customers	5,983,767	4,517,351	1,466,416	32.5%
Financial investments	24,563,234	23,942,489	620,745	2.6%
Hedging instruments	125,913	74,451	51,462	69.1%
Property, plant and equipment	149,506	150,883	(1,377)	-0.9%
Goodwill	89,602	89,602	-	-
Other intangible assets	38,978	39,438	(460)	-1.2%
Tax assets	42,955	13,302	29,653	222.9%
Tax credits acquired	508,764	-	508,764	-
Other assets	483,948	359,810	124,138	34.5%
Total assets	**33,819,561**	**31,725,094**	**2,094,467**	**6.6%**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at 12/31/2021	Amounts as at 12/31/2020	Changes Amounts	Changes %
Deposits from banks	1,225,213	1,064,859	160,354	15.1%
Deposits from customers	29,835,930	28,350,321	1,485,609	5.2%
Debt securities in issue	497,266	-	497,266	-
Financial liabilities held for trading	4,417	5,889	(1,472)	-25.0%
Hedging instruments	65,263	232,102	(166,839)	-71.9%
Tax liabilities	34,647	13,324	21,323	160.0%
Other liabilities	458,194	387,529	70,665	18.2%
Shareholders' equity	1,698,631	1,671,070	27,561	1.6%
- capital and reserves	*1,335,907*	*1,350,780*	*(14,873)*	-1.1%
- revaluation reserves	*(5,877)*	*(2,833)*	*(3,044)*	107.4%
- net profit	*368,601*	*323,123*	*45,478*	14.1%
Total liabilities and Shareholders' equity	**33,819,561**	**31,725,094**	**2,094,467**	**6.6%**

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Balance sheet - Quarterly data

(Amounts in € thousand)

	Amounts as at				
ASSETS	**12/31/2021**	**09/30/2021**	**06/30/2021**	**03/31/2021**	**12/31/2020**
Cash and cash balances	1,442,791	1,998,227	1,847,506	1,462,177	2,006,348
Financial assets held for trading	20,240	23,589	21,393	26,233	16,997
Loans and receivables with banks	369,863	370,527	380,306	421,693	514,423
Loans and receivables with customers	5,983,767	5,612,831	5,246,491	4,610,359	4,517,351
Financial investments	24,563,234	24,424,488	24,629,068	25,374,711	23,942,489
Hedging instruments	125,913	91,929	85,051	84,464	74,451
Property, plant and equipment	149,506	151,013	152,126	147,098	150,883
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	38,978	37,151	38,056	38,902	39,438
Tax assets	42,955	49,385	38,304	7,582	13,302
Tax credits acquired	508,764	393,970	75,065	8,789	-
Other assets	483,948	221,218	253,540	270,440	359,810
Total assets	**33,819,561**	**33,463,930**	**32,856,508**	**32,542,050**	**31,725,094**

(Amounts in € thousand)

	Amounts as at				
LIABILITIES AND SHAREHOLDERS' EQUITY	**12/31/2021**	**09/30/2021**	**06/30/2021**	**03/31/2021**	**12/31/2020**
Deposits from banks	1,225,213	1,168,613	1,172,801	1,149,225	1,064,859
Deposits from customers	29,835,930	29,794,672	29,131,839	29,094,018	28,350,321
Debt securities in issue	497,266	-	-	-	-
Financial liabilities held for trading	4,417	6,234	4,937	8,123	5,889
Hedging instruments	65,263	90,522	118,586	139,836	232,102
Tax liabilities	34,647	70,495	34,387	46,510	13,324
Other liabilities	458,194	415,294	530,431	351,187	387,529
Shareholders' equity	1,698,631	1,918,100	1,863,527	1,753,151	1,671,070
- capital and reserves	*1,335,907*	*1,667,333*	*1,665,819*	*1,674,255*	*1,350,780*
- revaluation reserves	*(5,877)*	*(3,175)*	*(1,863)*	*(1,720)*	*(2,833)*
- net profit	*368,601*	*253,942*	*199,571*	*80,616*	*323,123*
Total liabilities and Shareholders' equity	**33,819,561**	**33,463,930**	**32,856,508**	**32,542,050**	**31,725,094**

Cash and cash balances, amounting to € 1,442.8 million as at December 31, 2021 (€ 2,006.3 million as at December 31, 2020), consisted mainly of the liquidity deposited in the HAM (Home Accounting Model) account, used to manage short-term liquidity, and TIPS (Target Instant Payment Settlement) with the Bank of Italy, for a total amount of € 1,256.4 million, as well as liquidity deposited on current accounts with credit institutions for the settlement of payment transactions, for the settlement of securities transactions, for the management of the liquidity of UK customers, for an amount of € 186.1 million. The decrease over the previous year, for an amount of € 563.6 million, depends on the decrease in cash and cash balances with the Bank of Italy.

Loans and receivables with banks, came to € 369.9 million, show a decrease of € 144.6 million compared to December 31, 2020 mainly due by reduction in variation margins with credit institutions for derivative dealings (-€200.4 million), partially offset by higher deposits with banks (+€26.1 million) and the increase in the mandatory reserve with the Bank of Italy (+€26.5 million).

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Loans and receivables with customers came to € 5,983.8 million, show an increase of € 1,466.4 million compared to December 31, 2020 thanks to the increase in lending activity. During 2021, € 266 million in personal loans and € 1,030 million in mortgages were granted and € 1,467 million in current account overdrafts were arranged, with an increase in exposures in current account of € 506.9 million. Impaired loans net of impairment losses totalled € 4.4 million (€ 3.5 million as at December 31, 2020), with a coverage ratio of 82.15%.

Financial investments came to € 24,563 million, up €620.7 million compared to December 31, 2020. The carrying amount of the debt securities issued by the UniCredit S.p.A. amount to € 3,856.4 million, down compared to € 5,738.9 million as at December 31, 2020 due to the repayment of securities maturing during 2021. The purchases made by the Bank during 2021 mainly concerned securities issued by sovereign States.

Tax credits acquired include the carrying amount of tax credits purchased during the 2021 financial year under Decree-Law 34/2020, for a carrying amount of € 508.8 million. They include both tax credits purchased as a result of assignment by direct beneficiaries and purchased as a result of assignment by previous purchasers.

Deposits from banks totaled € 1,225.2 million, showing an increase of € 160.4 million compared to December 31, 2020, mainly attributable to the liquidity received from the Central Bank in the context of TLTRO III operations (+€95 million related to the seventh tranche of the programme) and to the increase in variation margins received for derivative transactions (+€67.6 million).

Deposits from customers came to € 29,835.9 million, showing an increase of € 1,485.6 million compared to December 31, 2020, due to the growth in direct deposits on current accounts from customers.

Debt securities in issue, amounting to € 497.3 million, exclusively include the Senior Preferred Bond issued by FinecoBank on 14 October 2021 with a view to complying with the fully loaded MREL requirement calculated on the total exposure for the purpose of calculating the Leverage Ratio currently required of the FinecoBank Group from 1 January 2024.

Shareholders' equity amounted to € 1,698.6 million, showing an increase of € 27.6 million compared to December 31, 2020, attributable mainly to the profit earned in the 2021, equal to € 368.6 million, offset by the distribution of the dividend from revenue reserves approved by the Shareholders' Meeting of 21 October 2021, totalling € 323.2 million, and by the coupons paid during the 2021 on the AT1 instruments issued by FinecoBank, which, net of taxes, resulted in a reduction in equity of € 19.8 million.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Income Statement

(Amounts in € thousand)

	Year		Changes	
	2021	2020	Amounts	%
Financial margin	280,356	279,981	375	0.1%
of which Net interest	248,215	270,976	(22,761)	-8.4%
of which Profits from Treasury	32,141	9,005	23,136	256.9%
Dividends and other income from equity investments	61,548	52,059	9,489	18.2%
Net fee and commission income	352,640	309,969	42,671	13.8%
Net trading, hedging and fair value income	74,299	86,674	(12,375)	-14.3%
Net other expenses/income	(888)	2,144	(3,032)	-141.4%
REVENUES	**767,955**	**730,827**	**37,128**	**5.1%**
Staff expenses	(101,447)	(95,021)	(6,426)	6.8%
Other administrative expenses	(257,796)	(224,359)	(33,437)	14.9%
Recovery of expenses	139,471	110,512	28,959	26.2%
Impairment/write-backs on intangible and tangible assets	(25,960)	(25,193)	(767)	3.0%
Operating costs	**(245,732)**	**(234,061)**	**(11,671)**	**5.0%**
OPERATING PROFIT (LOSS)	**522,223**	**496,766**	**25,457**	**5.1%**
Net impairment losses on loans and provisions for guarantees and commitments	(1,655)	(3,334)	1,679	-50.4%
NET OPERATING PROFIT (LOSS)	**520,568**	**493,432**	**27,136**	**5.5%**
Other charges and provisions	(49,938)	(34,076)	(15,862)	46.5%
Net income from investments	1,079	(6,262)	7,341	117.2%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**471,709**	**453,094**	**18,615**	**4.1%**
Income tax for the year	(103,108)	(129,971)	26,863	-20.7%
PROFIT (LOSS) FOR THE YEAR	**368,601**	**323,123**	**45,478**	**14.1%**

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Income Statement - Quarterly data

(Amounts in € thousand)

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

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

(Amounts in € thousand)

	2020			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Financial margin	72,020	75,119	68,654	64,188
of which Net interest	68,201	70,117	68,740	63,918
of which Profits from Treasury	3,819	5,002	(86)	270
Dividends and other income from equity investments	-	14,224	-	37,835
Net fee and commission income	79,250	82,910	74,951	72,858
Net trading, hedging and fair value income	22,503	25,084	20,268	18,819
Net other expenses/income	475	1,055	41	573
REVENUES	**174,248**	**198,392**	**163,914**	**194,273**
Staff expenses	(23,194)	(23,677)	(23,520)	(24,630)
Other administrative expenses	(50,171)	(56,004)	(55,374)	(62,810)
Recovery of expenses	23,807	28,456	28,438	29,811
Impairment/write-backs on intangible and tangible assets	(5,997)	(6,145)	(6,311)	(6,740)
Operating costs	**(55,555)**	**(57,370)**	**(56,767)**	**(64,369)**
OPERATING PROFIT (LOSS)	**118,693**	**141,022**	**107,147**	**129,904**
Net impairment losses on loans and provisions for guarantees and commitments	(946)	(2,733)	269	76
NET OPERATING PROFIT (LOSS)	**117,747**	**138,289**	**107,416**	**129,980**
Other charges and provisions	(1,124)	(6,512)	(31,970)	5,530
Net income from investments	(89)	(3,729)	(181)	(2,263)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**116,534**	**128,048**	**75,265**	**133,247**
Income tax for the period	(38,083)	(36,670)	(23,347)	(31,871)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**78,451**	**91,378**	**51,918**	**101,376**

Revenues amounted to €768 million, registering a 5.1% increase compared to the €730.8 million recorded in 2020, mainly due to the contribution of **Net fee and commission income**, which grew by €42.7 million (+13.8% y/y), and **Profits from Treasury**, up by €23.1 million, which offset the reduction in Net Interest (-€22.8 million) and the **Net trading, hedging and fair value income** (-€12.4 million); in this regard, it should be recalled that the market environment in 2020, particularly in the first half of the year, had been characterised by strong volatility, which had led to a significant increase in internalised volumes (+125% compared to 2019).

Financial margin was stable compared to the previous year (+€0.4 million) thanks to Profits from Treasury, amounting to €32.1 million (€9 million in 2020), which offset the decline in the interest margin caused mainly by the fall in market interest rates (-€22.8 million). In fact, the yields on securities subscribed in 2021 were lower than those on UniCredit S.p.A. securities, which reached their natural maturity in 2021, and which had been subscribed in a more favourable market environment. The average gross rate on the interest-earning assets stood at 0.80% (1.00% as at 31 December 2020).

Dividends and other income from equity investments only include the dividend received from Fineco AM, amounting to € 61.6 million (€ 52.1 million in 2020), net of the negative effect recognised following the equity valuation of Hi-MTF Sim S.p.A. in the amount of € 26 thousand.

Net fee and commission income showed an increase of € 42.7 million compared to the previous year, mainly attributable to commissions generated by Investing segment (+€ 34.7 million) thanks to the increase in average assets under management, generated by net inflows and the positive market effect. In this regard, it should be noted that the ratio of Guided Products and Services to total assets under management stood at 76% at 31 December 2021 compared to 73% at 31 December 2020. There was also growth in commissions generated by the Banking segment (+€ 15 million), while net commissions relating to the Brokerage segment decreased (€ -7.3 million), due to a market environment characterised by lower volatility than in 2020, while still maintaining a high value thanks to the increase in the customer base operating on the Bank's platform and the review of the offer.

Net trading, hedging and fair value income was mainly generated by profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency, which shows a reduction of €12.4 million compared to the previous year. In

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

this context, it should be noted that the increase in the number of customers operating on the Bank's platform, the expansion of market share and the review of the offer made it possible to partially offset the reduction compared to the extremely positive results recorded in 2020 thanks to the market context which had been characterised by strong volatility.

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 the exposure in equity securities recognised against the contributions paid to the Voluntary Scheme established by the Interbank Deposit Protection Fund, the measurement of which at fair value resulted in a positive result of €0.4 million in 2021 (+€0.6 million in 2020) and a negative result of €0.7 million (-€1.4 million in 2020), respectively. During the financial year, the Visa INC Class "A" preferred shares held in portfolio at 31 December 2020 were sold, generating a positive result in the income statement for the 2021 financial year of € 0.3 million (the total profit recognised on the Visa INC Class "A" preferred shares was € 5.1 million, gross of tax effect).

Net other expense/ income was a negative € 0.9 million, down €3 million from the previous year. In 2021, the item includes indemnities and refunds paid to customers for costs erroneously charged in terms of transparency of banking transactions and services and fairness of customer relations for approximately € 1.5 million, as well as higher charges for lawsuits and settlements and lower insurance refunds.

Operating costs highlight an increased by € 11.7 million compared to the previous year (-€ 6.4 million for "Staff expenses", -€ 4.5 million for "Other administrative expenses net of Recovery of expenses" and - € 0.8 million for "Impairment/write-backs on intangible and tangible assets"). The 5% 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 32% (in line with 32% at 31 December 2020) 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 2021 amounted to -€ 1.7 million (-€ 3.3 million in 2020) and benefit from write-backs due to the improvement of the macroeconomic scenario for an amount of approximately € 2 million, determined on the basis of the evidence resulting from the IFRS9 impairment models.

Other charges and provisions amounted to € 49.9 million, up 46.5% on 2020. Specifically, there was an increase in the contributions paid to the Interbank Deposit Guarantee Fund under the Deposit Guarantee Scheme (DGS) totalling € 32.3 million compared to € 25.9 million paid in the previous year, primarily due to the increase in ordinary contributions required from members for the year 2021. In addition, in 2021 the ordinary annual contribution required for the year 2020, in accordance with Directive 2014/59/EU (Single Resolution Fund), was recognised in the amount of € 5.8 million (€ 0.7 million for 2020), and the additional contributions to the National Resolution Fund pursuant to Article 1, paragraph 848, of Law no. 208/2015 recalled by the Bank of Italy from the banking system, in the amount of € 1.9 million (€ 0.2 million for 2020).

The **Net income from investments** stood at € 1.1 million showing an increase of € 7.4 million compared to 2020 and benefit from reversals of impairment losses due to the improvement in the macroeconomic scenario for an amount of approximately € 3.1 million, determined on the basis of the evidence resulting from the IFRS9 impairment models. It should be noted that in 2020, the updated macroeconomic scenarios had led to impairment losses of approximately € 5.5 million.

Profit before tax from continuing operations amounted to € 471.7 million, up 4.1% compared to the previous year, mainly thanks to higher Net fee and commission income, partially offset by a reduction in Net trading, hedging and fair value income, an increase in Operating costs and higher systemic charges recognised in Other charges and provisions. It should be noted that the result also benefited from the reversal of impairment losses recognised in Net write-downs of loans and provisions for guarantees and commitments and in Net income from investments due to the improvement in the macroeconomic environment. Excluding the non-recurring items 2021 mentioned before[24], the Profit before tax from continuing operations should be € 472.4 million, up 3.9% compared to 2020 net of non-recurring items[25].

As described above, **Income tax for the year** include the tax benefit, amounting to €32 million, deriving from the realignment of goodwill pursuant to Article 110 of Legislative Decree 104/2020. The aforementioned provision entailed, against the payment of the substitute tax on the realignment of € 2.7 million, the release to the income statement of pre-existing IRES deferred tax liabilities of € 24.5 million and the recognition of IRES deferred tax assets of € 8.5 million and IRAP of € 1.7 million.

The **Net profit for the year** amounted to € 368.6 million, showing an increase of 14.1% compared to € 323.1 million of the previous year. Excluding the non-recurring items 2021 mentioned before[26], the Net profit for the year should be € 337.1 million, up 4% compared to 2020 net of non-recurring items[27].

[24] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 0.7 million (gross of the tax effect).

[25] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 1.4 million (gross of the tax effect).

[26] Tax benefit arising from the tax realignment of goodwill carried out by FinecoBank, as provided for in Article 110 of Legislative Decree 104 of 2020, in the amount of € 32 million, and change in the fair value of the equity exposure to the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits in the amount of € -0.5 million (net of tax effect).

[27] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 1 million (net of the tax effect).

Results of the parent and the subsidiary

The subsidiary: Fineco Asset Management DAC

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

The assets under management managed by Fineco AM at 31 December 2021 amounted to € 24.8 billion (€ 16.3 billion as at December 31, 2020). This is broken down as per below:

- € 5.2 billion referred to Core Series (€ 5.1 billion as at December 31, 2020);
- € 13.8 billion referred to FAM Series (€ 8.2 billion as at December 31, 2020);
- € 5.8 billion referred to FAM Evolution (€ 3.0 billion as at December 31, 2020).

It should also be noted that € 15.1 billion relate to retail classes and € 9.7 billion relating to institutional classes.

As at December 31, 2021, Fineco AM has a total asset of € 62.8 million. This consists of **Loans and receivables with banks**, represented by a time deposit for an amount of € 10 million, by **Cash and Cash balances** for € 21.4 million deposited with credit institutions, and by **Loans and receivables with customers**, exclusively represented operating receivables associated with the provision of services, for an amount of € 29.6 million.

Fineco AM also holds shares in its UCITS Funds for an amount of € 0.1 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 € 0.6 million relating to prepaid expenses and definitive items not attributable to other items.

Deposits from banks and **Deposits from customers** totalled € 23.6 million, are represented exclusively by operating payables connected with the provision of financial services, relating to the placement and management fees of UCITS to be paid back to the placers, including FinecoBank itself for € 11.8 million, and to investment advisors, It should be noted that the item **Deposits from customers** also includes the "Lease liabilities" from customers, amounting to € 0.6 million representing the financial debt corresponding to the present value of the payments due in the lease agreements stipulated with credit institutions not paid at the reporting date, as required by IFRS 16.

The **Other liabilities**, equal to € 6.8 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 € 31.2 million and consists of share capital for € 3 million, of retained earnings for € 2.4 million and net income for the period of € 73.7 million, net of dividends paid to the parent FinecoBank in the last quarter of 2021 for € 47.9 million.

In 2021 Fineco AM generated **Net commissions** for € 98.2 million (€ 244.7 million in fee and commission income, € 151.4 million in fee and commission expenses and € 4.8 million of 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 € 73.7 million.

The number of persons employed by Fineco AM as at 31 December 2021 is 44.

Related-party Transactions

At its meeting of November 5th, 2019 and with the prior favourable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors, the Board of Directors, to ensure continued compliance with applicable legal and regulatory provisions on the corporate disclosure of transactions with related parties and persons in conflict of interest, approved the new Global Policy Procedure for the management of transactions with persons in potential conflict of interest of the FinecoBank Group (the “Global Policy”). Please note that the Global Policy was updated on December 16, 2021, effective January 15, 2022, to comply with the provisions of Article 88 of CRD V.

The Global Policy contains the provisions to observe when managing:

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

Considering the above, during 2021 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, 2021 as well as the costs (-) and revenues (+) recorded in 2021 with Fineco AM, which is the sole wholly-owned and consolidated company.

(Amounts in € thousand)

	Assets	Liabilities	Guarantees and commitments	Revenues (+)	Costs (-)
Fineco Asset Management DAC	12,137	-	-	181,334	-

It should be noted that the assets shown in the table mainly refer to current receivables associated with the provision of financial services to be collected by the subsidiary Fineco AM and recorded in “Financial assets at amortized cost". At the same time, the revenues column includes placement and management fee income paid back by the subsidiary and accounted for by the Bank during 2021, in addition to the dividends recognized by Fineco AM for a total of € 61.6 million.

The following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at December 31, 2021 as well as the costs (-) and revenues (+) recorded in 2021 with respect to Hi-MTF SIM S.p.A., the only investment subject to influence and consolidated using the equity method.

(Amounts in € thousand)

	Assets	Liabilities	Guarantees and commitments	Revenues (+)	Costs (-)
Hi-MTF SIM S.p.A.	-	89	-	-	(95)

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

Number of treasury shares of the parent company

As at 31 December 2021, the Group, specifically the Bank, held 122,866 shares of the Parent Company FinecoBank, in relation to the incentive plans in favour of financial advisors, corresponding to 0.02% of the shares representing the share capital, for an amount of € 1.4 million. During 2021, 55,000 shares, amounting to €0.8 million, were purchased in relation to the "2020 PFA Incentive System" in favour of financial advisors identified as "Key Personnel" and 11,548, 5,527, 10,306 and 24,687 FinecoBank ordinary shares, held in portfolio, under the "2016 PFA Incentive System", "2017 PFA Incentive System", "2018 PFA Incentive System" and "2019 PFA Incentive System" respectively, for a total amount of € 0.6 million.

Other information

Report on corporate governance and proprietary structures

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

Report on remuneration

Pursuant to Art.123-ter of the Legislative Decree no. 58 of February 24, 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://www.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 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://www.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://www.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 18th, 2022 – in consideration of the favorable opinion of the Remuneration Committee held on January 17th, 2022 – approved the following incentive systems that will be submitted to the Shareholders' Meeting called for April 28, 2022:

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

In addition, the Board of Directors' meeting of FinecoBank held on February 9, 2022 – in consideration of the favorable opinion of the Remuneration Committee held on February 7, 2022 – approved the implementation of the following incentive / loyalty systems:

- 2018-2020 Long Term Incentive Plan for employees. In particular, the assignment of n. 52,302 free ordinary shares to the beneficiaries of the second share tranche of the Plan, granted in 2018, and consequently a free share capital increase for a total amount of € 17,259.66 effective from March 31, 2022;
- Incentive Systems 2016, 2017, 2018, 2019, 2020 and 2021 for employees. In particular, it was approved:
  - the assignment of n. 167,788 free ordinary shares to beneficiaries of the fourth share tranche of the 2016 Incentive System, of the third share tranche of the 2017 Incentive System, of the second share tranche of the 2018 Incentive System, of the third share tranche of the 2018 Incentive System, of the second share tranche of the 2019 Incentive System and of the first share tranche of the 2020 Incentive System, and consequently a free share capital increase for a total amount of € 55,370.04 effective from March 31, 2022;
  - the assignment of the first cash tranche related to the 2021 Incentive System, of the second cash tranche related to the 2019 Incentive System, of the third cash tranche of the 2018 Incentive System and of the third cash tranche related to the 2016 Incentive System;
- Incentive Systems 2017, 2018, 2019, 2020 and 2021 for Financial Advisors classified as "Identified Staff". In particular, it was approved:
  - the assignment of n. 5,527 shares of the third share tranche to the beneficiaries of the 2017 Incentive System;
  - the assignment of n. 3,435 shares of the second share tranche related to the 2018 Incentive System;
  - the assignment of the third cash tranche related to the 2018 Incentive System;
  - the assignment of n. 8,827 shares of the second share tranche related to the 2019 Incentive System;
  - the assignment of n. 28,998 shares of the first share tranche related to the 2020 Incentive System;
  - the assignment of the second cash tranche related to the 2020 Incentive Systems;
  - the assignment of the first cash tranche related to the 2021 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 second cash tranche.

Russia-Ukraine military conflict

On 24 February 2022, a military operation by Russia in Ukraine began, triggering a military conflict and an international crisis.

The European Union immediately instituted an ad hoc sanctions package affecting trade with Russia and banning the import of products such as mineral fuels, tobacco, cement, iron or steel. The European Parliament, which met in an extraordinary session in Brussels on 1 March 2022, started the discussion on a gradual broadening of sanctions and restrictions on imports of Russia's most important export commodities, including oil and gas, bans on new investments from the European Union in the Russian Federation and vice versa, blocking of Russian banks' access to the European financial system and exclusion of the Russian Federation from the SWIFT system (exclusion from the SWIFT system has so far been selective).

In early March, the European Commission made it official that the ongoing military conflict would cause the economy to slow down. The EU executive has decided to give governments some freedom in setting up public budgets in 2023, will not open excessive deficit procedures in the spring and will not apply the rule requiring a debt cut of one-twentieth per year. Eurostat announced that inflation in February was 5.8% per year, compared to 5.1% in January. Core inflation (which excludes energy, food, alcohol and tobacco) increased from 2.3% to 2.7% but it is energy prices (up 31.7%) that are adding to the inflationary spiral.

With regard to the markets, the first days of March 2022 witnessed

- the closure of the Moscow Stock Exchange;
- the loss of a large part of raw material supplies from Russia, with an estimated collapse in oil exports. The weakness of logistics, affected by the COVID crisis, accentuated the rise of commodities, from gas to oil, and even to historic highs recorded by metals and cereals;
- the fact that world stock exchanges took account of the above: some large exposed industrial companies began to liquidate their Russian holdings and, more generally, the equity asset class began to incorporate the worsening outlook, with the biggest falls recorded by banks making corporate loans;

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- the widening of spreads (Ted-Spread, Cross Currency Basis Swap, FRA-OIS), which foreshadowed tensions over liquidity, calmed by central bank intervention;
- the retracement of the spread on Italian government bonds. Geopolitical uncertainty lowered the probability of a sudden rise in rates, at least in the very short term, and delayed the ECB's exit from quantitative easing.

After the invasion of Ukraine, a number of rating agencies cut their ratings on Russia, putting the country among those that may have problems repaying their debt, indicating that they are keeping a close eye on the sanctions imposed on the country by the West.

The economic effects of the Russian-Ukrainian conflict are not yet fully reflected in the dynamics of industrial production, but may increase uncertainty and risk compromising GDP growth in 2022.

The European Securities and Markets Authority (ESMA) in coordination with the relevant national authorities, is monitoring the impact of the Ukrainian crisis on financial markets in order to ensure the orderly functioning of markets, financial stability and investor protection. In this regard, the same authority published, on March 14, 2022, a Public Statement ("ESMA71-99-1864") containing recommendations, addressed to listed companies and other supervised issuers, on the information to be disclosed when approving the 2021 financial statements and subsequent financial reports.

In this context, it should be noted that, from the point of view of its investment portfolio, the Group is not directly exposed to Russian assets affected by the conflict and indirect exposures, represented by guarantees received as part of pledge-backed financing transactions (Credit Lombard and pledged overdraft facilities), are not significant. If the conflict results in a decline in economic growth (Italy and Spain in particular), this scenario may lead to higher impairment losses for the exposures held, loans and debt securities, due to the update of the Forward Looking Information component required by IFRS 9. FAM's products also have a limited direct exposure in Russian assets.

With reference to ICT and Cyber risks, on 24 February 2022, the CSIRT (the response team of the National Cybersecurity Agency) asked to raise attention and adopt all measures to protect ICT assets, a warning 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, in general, ministries, government bodies, strategic companies for the national interest, including financial institutions. The Group's objective is to ensure the protection of customers by guaranteeing data security, declined in its characteristics of availability, confidentiality and integrity: in the light of the Russian-Ukrainian crisis on the EU financial markets, particular attention has been paid to the assessment of related risks. In compliance with the measures provided for by current legislation, Fineco has undertaken a series of initiatives aimed at verifying its security posture and operational readiness, also making use of the indications and recommendations suggested by the various national and international bodies. Without prejudice to the adoption, as always, of best practices in the field of security, in terms of both technical and organizational/procedural measures, further mechanisms have been assessed and introduced to deal with any impacts deriving from the contingent situation.

With reference to: (i) the obligations to freeze funds with respect to sanctioned subjects and entities, (ii) the restrictions on the purchase and sale of certain securities because they are issued by or linked to sanctioned issuers, (iii) the restrictions on financial flows to and from Russia, both in terms of prohibition of credit exposure in favour of sanctioned subjects and in terms of prohibition of accepting deposits from Russian citizens or natural or legal persons residing in Russia, except for specific exceptions, if the total value exceeds 100,000 euro, (iv) the obligations to report to the competent authorities, the Group uses controls to monitor the names of sanctioned persons and entities and the ISINs of sanctioned financial instruments, necessary to initiate the consequent asset freezing activities required by the regulations. Fineco does not have any direct exposure and has not frozen any exposure. Finally, the Group has information tools that allow it to monitor the constant evolution of the regulatory framework.

Outlook

The prospective scenario, despite a context of pressure on margins and general uncertainty resulting from the military conflict between Russia and Ukraine, which triggered an international crisis, and the effects of the Coronavirus pandemic, sees the Group benefiting from two structural trends that are transforming Italian society: digitization and demand for advisory services.

The habits of banking customers have changed radically over the last ten years. The need for them to access services far from their branch or at unconventional times has increased and they are increasingly able to use the internet at any time of the day and anywhere. FinecoBank intends to continue the digitisation and computerisation of its business, not only in how it interfaces with its customers but also in its internal operational processes. The objective is to increase digitisation and generate greater savings and efficiencies for the Group. The increased use of mobile devices and the internet offer competitive advantages to a bank such as FinecoBank, which has always focused on technology and, more specifically, on the dual track of a digital platform matched with a network of specialised personal financial advisors.

Another structural trend that favours FinecoBank's positioning relates to the growing demand from customers for advanced and specialised advisory services, supported by Italians' propensity to save. The Italian market is characterised by a high level of household wealth and a high rate of wealth employed in real estate investments. In this regard, there is a clear recovery of investments in mutual funds compared to the past even if still lower

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than in other countries belonging to the Eurozone. The recent health emergency has helped to consolidate greater awareness of the importance of correctly managing one's savings, and to promote greater attention to the financial markets. There is also a change in mentality on the part of savers who are increasingly inclined to take advantage of qualified advice and to invest directly in the markets. Results in the Brokerage area also increased significantly compared to previous periods characterised by the same levels of volatility, confirming the increase in the revenue floor, thanks to the diversification of products and services offered and the expansion of the customer base.

The high level of customer satisfaction, the quality of the products and services offered and the gradual increase in Network productivity, also supported by the organisation of team work, as well as the continuous updating and use of digital platforms, allow the bank to maintain a balanced and sustainable growth path in the long term.

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

FinecoBank had a market share by TFA[28] for 2.08% in September 2021, with significant potential growth margins.

In this context, however, it is necessary to consider that market tensions could have a negative effect on inflows of assets under management and on the stocks managed by the Group, with a consequent reduction in commission income generated by Investing. Conversely, Brokerage revenues, which increased during periods of greater market volatility, are expected to rise, as is net interest income, as a result of the expected rise in interest rates and inflation.

Fineco intends to pursue its long-term sustainable growth objectives, including in terms of ESG[29], in order to create value for stakeholders while maintaining a low risk appetite. Fineco intends to do this, primarily, by supporting customers in the responsible management of their investments, through the offer of products and services of excellence, without resorting to aggressive commercial offers, thanks to the offer of products characterized by fair pricing and "no performance fees", in combination with highly liquid investments and with low risk.

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

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

[29] Details available in the FinecoBank Group's Consolidated Non-Financial Statement published on the FinecoBank website (https://www.finecobank.com).

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 2021 of the Parent Company FinecoBank S.p.A. and the proposed allocation of the profit for the year 2021, which amounts to € 368,600,823.06.

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, must be recognised in an unavailable reserve. This reserve will be released and allocated to the Extraordinary Reserve in the amount of € 4,152,690.75, corresponding to the change in capital gains, including those resulting from realisation, recognised in 2021.

Finally, it should be noted that the amount of the negative reserve that includes the losses recognised in the income statement for the 2021 financial year as a result of the equity valuation of the company Hi-MTF Sim S.p.A., subject to significant influence, in the amount of € 26,497, will be shown in the accounts.

With reference to the tax realignment of goodwill, it should be noted that the 2021 Stability Law expressly recognised the possibility of also applying to goodwill and other intangible assets recorded in the financial statements as at 31 December 2019 the tax realignment provisions provided for by Article 110 of Legislative Decree 104 of 2020 relating to business assets. In this respect, the Board of Directors, in its meeting of 10 June 2021, resolved to realign the tax values of the goodwill recorded in FinecoBank's financial statements as at 31 December 2019, and still present as at 31 December 2020, for a total amount of € 89,024,644. As a result of the aforementioned realignment, a restriction on taxability in the event of distribution was allocated from the Extraordinary Reserve in the amount of € 86,353,904.83, equal to the amount of the realigned goodwill net of the substitute tax paid.

In conclusion, the Shareholders' Meeting is invited to approve:

- the FinecoBank's Financial Statements for the year 2021 in all its parts and findings;
- the allocation of the profit for the year 2021 of € 368,600,823.06 as follows:
    - to the 610,119,860 ordinary shares with a par value of €0.33, constituting the share capital including 220,090 shares relating to the capital increase to support the employee incentive system approved by the Board of Directors on 9 February 2022, a unit dividend of €0.39 for a total of €237,946,745.40;
    - € 14,525.94 to the Legal Reserve, corresponding to 0.004% of the profit for the year, having reached the limit of a fifth of the share capital;
    - € 130,639,551.72 to the Extraordinary Reserve

The payment of the above dividend, in accordance with the law, will take place on 25 May 2022 with an "ex-dividend" date of 23 May 2022. Pursuant to Article 83-terdecies of Legislative Decree No. 58 of 24 February 1998 ("TUF"), those who are shareholders on the basis of the evidence in the accounts at the end of the accounting day of 24 May 2022 ("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 15, 2022

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		12/31/2021	12/31/2020
10.	Cash and cash balances	1,464,182	2,014,399
20.	Financial assets at fair value through profit and loss	25,778	27,985
	a) financial assets held for trading	20,240	16,997
	c) other financial assets mandatorily at fair value	5,538	10,988
30.	Financial assets at fair value through other comprehensive income	39,017	143,698
40.	Financial assets at amortised cost	30,895,959	28,839,472
	a) loans and receivables with banks	5,757,506	8,000,280
	b) loans and receivables with customers	25,138,453	20,839,192
50.	Hedging derivatives	127,448	19,003
60.	Changes in fair value of portfolio hedged financial assets (+/-)	(1,535)	55,448
70.	Equity investments	1,294	-
90.	Property, plant and equipment	150,347	151,872
100.	Intangible assets	128,686	129,199
	- goodwill	89,602	89,602
110.	Tax assets	42,974	13,314
	a) current tax assets	-	5,166
	b) deferred tax assets	42,974	8,148
130.	Other assets	993,025	360,627
	Total assets	**33,867,175**	**31,755,017**

The comparative figures as at 31 December 2020 relating to item 10. "Cash and cash balances" and item 40. "Financial assets at amortised cost a) loans and receivables with banks" were restated in order to incorporate the changes introduced by the 7th update of 29 October 2021 of Bank of Italy Circular 262, which provides for the recognition of current accounts and sight deposits with banks under item 10. "Cash and cash balances". In the 2020 Financial Statements, the aforementioned on-demand receivables had been recognised under item 40. "Financial assets at amortised cost a) loans and receivables with banks" in the amount of € 254,051 thousand (for further details, please refer to Part A - Accounting policies of the notes to the consolidated accounts.

Consolidated balance sheet

(Amounts in € thousand)

Liabilities and shareholders' equity		12/31/2021	12/31/2020
10.	Financial liabilities at amortised cost	31,570,201	29,424,598
	a) deposits from banks	1,225,213	1,064,859
	b) deposits from customers	29,847,722	28,359,739
	c) debt securities in issue	497,266	-
20.	Financial liabilities held for trading	4,417	5,889
40.	Hedging derivatives	57,313	214,388
50.	Changes in fair value of portfolio hedged financial liabilities (+/-)	7,950	17,714
60.	Tax liabilities	35,864	13,954
	a) current tax liabilities	35,864	10,204
	b) deferred tax liabilities	-	3,750
80.	Other liabilities	342,844	273,784
90.	Provisions for employee severance pay	5,033	4,924
100.	Provisions for risks and charges:	116,756	112,641
	a) commitments and guarantees given	52	61
	c) other provisions for risks and charges	116,704	112,580
120.	Revaluation reserves	(5,877)	(2,833)
140.	Equity instruments	500,000	500,000
150.	Reserves	650,202	664,489
160.	Share premium reserve	1,934	1,934
170.	Share capital	201,267	201,153
180.	Treasury shares (-)	(1,440)	(1,189)
200.	Net Profit (Loss) for the year	380,711	323,571
	Total liabilities and Shareholders' equity	**33,867,175**	**31,755,017**

Consolidated Income statement

(Amounts in € thousand)

Items		2021	2020
10.	Interest income and similar revenues	250,598	278,318
	of which: interest income calculated with the effective interest method	269,371	293,897
20.	Interest expenses and similar charges	(7,449)	(10,647)
30.	**Net interest margin**	**243,149**	**267,671**
40.	Fee and commission income	871,244	720,503
50.	Fee and commission expenses	(420,542)	(313,152)
60.	**Net fee and commission income**	**450,702**	**407,351**
70.	Dividend income and similar revenue	199	108
80.	Gains (losses) on financial assets and liabilities held for trading	71,643	87,678
90.	Fair value adjustments in hedge accounting	2,505	(259)
100.	Gains and losses on disposal or repurchase of:	32,141	9,005
	a) financial assets at amortised cost	29,243	7,235
	b) financial assets at fair value through other comprehensive income	2,898	1,770
110.	Gains (losses) on financial assets and liabilities at fair value through profit or loss	(39)	(758)
	b) other financial assets mandatorily at fair value	(39)	(758)
120.	**Operating income**	**800,300**	**770,796**
130.	Impairment losses/writebacks on:	(586)	(9,584)
	a) financial assets at amortised cost	(594)	(9,569)
	b) financial assets at fair value through other comprehensive income	8	(15)
140.	Profit/loss from contract changes without cancellation	-	23
150.	**Net profit from financial activities**	**799,714**	**761,235**
180.	**Net profit from financial and insurance activities**	**799,714**	**761,235**
190.	Administrative expenses	(409,991)	(379,254)
	a) staff expenses	(109,600)	(99,546)
	b) other administrative expenses	(300,391)	(279,708)
200.	Net provisions for risks and charges	(9,890)	(7,310)
	a) provision for credit risk of commitments and financial guarantees given	9	(39)
	b) other net provision	(9,899)	(7,271)
210.	Impairment/write-backs on property, plant and equipment	(19,529)	(19,683)
220.	Impairment/write-backs on intangible assets	(6,689)	(5,757)
230.	Other net operating income	140,813	111,869
240.	**Operating costs**	**(305,286)**	**(300,135)**
250.	Profit (Loss) on equity investments	(26)	-
280.	Gains (losses) on disposal of investments	1	(6)
290.	**Total profit (loss) before tax from continuing operations**	**494,403**	**461,094**
300.	Tax expense (income) related to profit or loss from continuing operations	(113,692)	(137,523)
310.	**Total profit (loss) after tax from continuing operations**	**380,711**	**323,571**
330.	**Profit (loss) for the year**	**380,711**	**323,571**
350.	**Profit (loss) for the year attributable to the Parent Company**	**380,711**	**323,571**

The comparative figures for the 2020 financial year relating to the item "of which: interest income calculated with the effective interest method" have been restated in line with the change made to the Balance Sheet previously mentioned. In the 2020 Financial Statements, interest accrued on demand loans to banks had been recognised under the item "of which: interest income calculated with the effective interest method" in the amount of €371 thousand (for more details, see Part A - Accounting policies of the notes to the consolidated accounts).

	2021	2020
Earnings per share (euro)	0.62	0.53
Diluted earnings per share (euro)	0.62	0.53

Note:

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

Consolidated statement of comprehensive income

(Amounts in € thousand)

Items		Total 2021	Total 2020
10.	**Profit (Loss) of the year**	**380,711**	**323,571**
	Other income components net of taxes without reversal to the income statement	**(1,076)**	**(3,054)**
70.	Defined benefit plans	(1,076)	(3,054)
	Other comprehensive income after tax with reclassification through profit or loss	**(1,968)**	**(781)**
140.	Financial assets (other equity securities) designated at fair value through other comprehensive income	(1,968)	(781)
170.	**Total other comprehensive income net tax**	**(3,044)**	**(3,835)**
180.	**Comprehensive income (item 10+170)**	**377,667**	**319,736**
200.	**Consolidated comprehensive income attributable to Parent Company**	**377,667**	**319,736**

Statement of changes in consolidated shareholders' equity

Statement of changes in consolidated shareholders' equity at 12/31/2021

(Amounts in € thousand)

	Balance as at 12/31/2020	Change in opening balance	Balance as at 01/01/2021	Allocation of profit from previous year		Change during the year									Shareholders' equity group as at 12/31/2021	Shareholders' equity minorities as at 12/31/2021
							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	Comprehensive income exercise 2021		
Share capital:																
- ordinary shares	201,153		201,153				114								201,267	
- other shares																
Share premium reserve	1,934		1,934												1,934	
Reserves:																
- from profits	633,306		633,306	323,571		(19,706)			(323,247)			(114)			613,810	
- others	31,183		31,183									5,209			36,392	
Revaluation reserves	(2,833)		(2,833)											(3,044)	(5,877)	
Equity instruments	500,000		500,000												500,000	
Treasury shares	(1,189)		(1,189)				570	(821)							(1,440)	
Profit (loss) for the year	323,571		323,571	(323,571)										380,711	380,711	
Shareholders' Equity Group	1,687,125		1,687,125			(19,706)	684	(821)	(323,247)			5,095		377,677	1,726,797	
Shareholders' Equity Minorities																

The Shareholders' Meeting of 28 April 2021 approved the allocation of the entire profit for the 2020 financial year to reserves, as proposed by the Board of Directors on 9 February 2021.
The column "Distribution of extraordinary dividends" includes the distribution of the unit dividend of €0.53 paid on 24 November 2021, approved by the Shareholders' Meeting of 21 October 2021 as proposed by the Board of Directors on 3 August 2021.
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 12/31/2020

(Amounts in € thousand)

	Balance as at 12/31/2019	Change in opening balance	Balance as at 01/01/2020	Allocation of profit from previous year		Change during the year									Shareholders' equity group as at 12/31/2020	Shareholders' equity minorities as at 12/31/2020
							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	Comprehensive income exercise 2020		
Share capital:																
- ordinary shares	200,941		200,941				212								201,153	
- other shares																
Share premium reserve	1,934		1,934												1,934	
Reserves:																
- from profits	364,937		364,937	288,365		(19,783)						(212)			633,306	
- others	32,656		32,656									(1,474)			31,183	
Revaluation reserves	1,002		1,002											(3,835)	(2,833)	
Equity instruments	500,000		500,000												500,000	
Treasury shares	(7,351)		(7,351)				6,561	(399)							(1,189)	
Profit (loss) for the year	288,365		288,365	(288,365)										323,571	323,571	
Shareholders' Equity Group	1,382,484		1,382,484			(19,783)	6,773	(399)				(1,686)		319,736	1,687,125	
Shareholders' Equity Minorities																

The "Reserves" column includes the 2019 profit of FinecoBank S.p.A.. It should be noted that, in full compliance with the reference legislation, the indications of the Supervisory Authorities and the best consolidated practice on the matter, the Board of Directors of 6 April 2020 decided to revoke the proposal for the distribution of a dividend of € 0.32 per unit for a total of € 195,052,000 approved by the Board of Directors on February 11, 2020, resolving to propose to the ordinary Shareholders 'Meeting convened for April 28, 2020 the allocation to reserves of the profit for the year 2019. The ordinary Shareholders' Meeting convened for on April 28, 2020 it therefore approved the aforementioned proposal.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.
The "Changes in reserves" column includes the coupons paid on equity instruments net of related taxes and the transaction costs directly attributable to the issue of Equity instruments net of related taxes.

Consolidated cash flow statement

Indirect method

(Amounts in € thousand)

A. OPERATING ACTIVITIES	Amount	
	2021	2020
1. Operations	**589,263**	**577,502**
- operating result (+/-)	380,711	323,571
- capital gains/losses on financial assets held for trading and on assets designated at fair value through profit and loss (-/+)	190	1,623
- capital gains/losses on hedging operations (+/-)	(1,043)	743
- net write-offs/write-backs due to impairment (+/-)	3,443	10,550
- net write-offs/write-backs on tangible and intangible assets (+/-)	26,218	25,440
- provisions and other incomes/expenses (+/-)	22,606	18,496
-Net uncashed premiums (-)	-	-
-Other non-cashed income/insurance charges (-/+)	-	-
- not paid tax (+/-)	27,567	2,381
- disposal groups classified as held for sale (-/+)	-	-
- other adjustments (+)	129,571	194,698
2. Liquidity generated/absorbed by financial assets	**(3,003,503)**	**(2,770,535)**
- financial assets held for trading	(4,871)	(6,666)
- financial assets at fair value	-	-
- other assets mandatorliy valued at fair value	5,056	389
-Financial assets valued at fair value with impact on overall profitability	100,276	174,590
- financial assets valued at amortized cost	(2,476,736)	(2,917,324)
- other assets	(627,228)	(21,524)
3. Liquidity generated/absorbed by financial liabilities	**2,198,984**	**3,264,562**
- financial liabilities valued at amortized cost	2,145,703	3,350,336
- financial liabilities held for trading	360	(1,060)
- financial liabilities designated at fair value	-	-
- other liabilities	52,921	(84,714)
Net liquidity generated/absorbed by operating assets	(215,256)	1,071,529
B. INVESTMENT ACTIVITY		
1. Liquidity generated by	-	1
- equity investments	-	-
- collected dividends on equity investments	-	-
- sells of tangible assets	-	1
- sells of intangible assets	-	-
- sales/purchases divisions	-	-
2. Liquidity absorbed by:	**(15,857)**	**(29,381)**
- purchases of equity investments	(1,321)	-
- purchases of tangible assets	(8,360)	(21,519)
- purchases of intangible assets	(6,176)	(7,862)
- purchases of subsidiaries and company branches	-	-
Net liquidity generated/absorbed by investment activity	**(15,857)**	**(29,380)**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	(136)	6,374
- issue/purchase of equity instruments	-	-
- distribution of dividends and other scopes	(343,640)	(26,554)
-Sale/purchase of control of third parties	-	-
Net liquidity generated/absorbed by funding activities	**(343,776)**	**(20,180)**
NET LIQUIDITY GENERATED/ABSORBED IN THE EXERCISE	**(574,889)**	**1,021,969**

Consolidated cash flow statement

RECONCILIATION

(Amounts in € thousand)

Item	Amount	
	2021	2020
Cash and cash equivalent at the beginning of exercise	2,014,508	1,005,063
Total net liquidity generated/absorbed in the exercise	(574,889)	1,021,969
Cash and cash equivalents: effect of exchange rate variations	24,597	(12,524)
Cash and cash equivalent at the end of exercise	1,464,216	2,014,508

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.

The comparative figures for the 2020 financial year have been restated in line with the amendment to the balance sheet template mentioned above. Specifically, in the 2020 Financial Statements, the item "Cash and cash equivalent at the beginning of the exercise" and the item "Cash and cash equivalents at the end of the exercise" were recognised net of the cash equivalent liabilities recognised in liability item 10. "Financial liabilities at amortised cost: a) Deposits from banks" for an amount of € 70,396 thousand and € 43,317 thousand, respectively. Consequently, item "3. Liquidity generated absorbed by for financial liabilities - financial liabilities valued at amortised cost" and item "Net liquidity generated/absorbed in the exercise" were also restated.

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

In implementation of Legislative Decree no. 38 of February 28, 2005, these Consolidated financial statements of the FinecoBank Banking Group (represented by the Bank and the subsidiary Fineco Asset Management DAC, hereinafter “FinecoBank Group” or “Group”) have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission, pursuant to EU Regulation 1606/2002 of July 19, 2002 and applicable to financial reports for the periods starting on or after January 1, 2021.

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

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, with particular reference to the representation of the effects deriving from the COVID-19 pandemic and their impact on the valuation processes;
- 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 solely 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, the profit (loss) for the year recognised in the consolidated 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 consolidated statement of comprehensive income is presented with separate evidence of the income components that will not be recognised in the income statement in the future and those that may otherwise be reclassified to profit or loss for the 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 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 22 December 2005 and subsequent updates. In accordance with the Bank of Italy Circular 262/2005, items in the consolidated Balance Sheet, consolidated Income Statement and consolidated Statement of Comprehensive Income for which there is no significant information to be disclosed for the reporting period 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.

Part A - Accounting policies

With reference to Circular 262 " Bank financial statements: layouts and preparation" of 22 December 2005, it should be noted that on 29 October 2021 the Bank of Italy issued the 7th update, applicable to financial statements closed or in progress as at 31 December 2021, with which changes were made that mainly concern the presentation in the financial statements:

- of the balance sheet item "Cash and cash balances", in which all on-demand claims, in the technical forms of current accounts and deposits, on banks and central banks are recognised (with the exception of the compulsory reserve), while previously only on-demand deposits with central banks were recognised. Consequently, in the balance sheet item "Financial assets at amortised cost" only loans to banks and central banks other than on demand are now recognised, and in the income statement the item "Impairment losses/writebacks" has been adjusted to include net credit risk adjustments/write-backs on loans to banks and central banks on demand reported under the above item "Cash and cash balances". In addition, the quantitative disclosure on credit quality in the notes to the consolidated financial statements specifies that on-demand loans to banks and central banks fall within the definition of cash credit exposures, but are conventionally excluded from the tables in the Credit risk section of Part E - Information on Risks and relating hedging policies, except where expressly indicated that they should be considered (see the disclosure in the Credit risk section of the notes to the consolidated accounts for further details);
- impaired financial assets acquired or originated, which have been excluded from the credit risk stage allocation disclosure and recognised separately. Consistently, the composition table of "Impairment losses/writebacks" and "Profit (loss) from discontinued operations, net of tax" for financial assets classified as "assets held for sale" and "discontinued operations", respectively, in accordance with IFRS 5, have been adjusted to include a breakdown by level of credit risk, with separate disclosure of adjustments and reversals for stage one and stage two risks, and by "impaired acquired or originated";
- of intangible assets, for which specific evidence is required in the notes to the consolidated accounts of software that does not constitute an integral part of hardware under IAS 38, both with reference to the table of composition of "Intangible assets" and with reference to the relative table of "Impairment/write-backs on intangible assets";
- of the information detailing fee and commission income and expenses reported in the notes to the consolidated accounts;
- contributions to the resolution fund and deposit guarantee schemes, for which separate disclosure is required in the relevant items in the tables of the notes to the consolidated accounts.

The amendments also incorporate the changes introduced by the amendments to IFRS 7 on disclosures on financial instruments, endorsed by Regulation (EU) 2021/25 of 13 January 2021, effective from 1 January 2021, which takes into account the new disclosure requirements in relation to the reform of reference indices for determining interest rates on financial instruments. On this occasion, the Bank of Italy has incorporated some indications provided through previous communications and therefore already included in the financial statement disclosures.

For the sake of uniformity of comparison, comparative figures for 2020 have been restated, where applicable. It should also be noted that, as at 31 December 2021, the Group did not have any "impaired financial assets acquired or originated".

With reference to IAS 1, these Consolidated financial statements have been prepared on a going concern basis, as there are no doubts or uncertainties, taking into account 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.

These criteria have changed in part with respect to the previous year also relating to the introduction of new standards and interpretations in force on 1 January 2021, for further details please see the modifications described section 5 “ Other matters”, and in Part “A.2 – The main items of the accounts”. In particular:

- with regard to hedging transactions, as of 1 January 2021, the Group decided to apply the hedge accounting rules set out in IFRS 9, replacing IAS 39, with the exception of transactions hedging the fair value of the interest rate exposure of a portfolio of financial assets or liabilities (so-called "Macro Hedge Accounting"), for which it continues to apply the hedge accounting provisions of IAS 39, as set out in IFRS 9 paragraph 6.1.3. For further details, see the following paragraph "The main items of the accounts";
- In 2021, certain costs associated with the activities of financial advisors and related to services that are part of normal banking activities (in particular the distribution and management of financial products) were reclassified to item 50. "Fee and commission expenses" from item 190. "Administrative expenses", in order to provide a better representation of both item 120. "Operating income", and item 240. "Operating costs". No reclassification has been made to the comparative data shown in the Consolidated Financial Statements included in this report. In this regard, it should be noted that these costs, recognised as at 31 December 2021 in item 50. "Fee and commission expenses", amounted to € 32,470 thousand, while in the comparative figures as at 31 December 2020 they were recognised in item 190. "Administrative expenses" for a total of €26,572 thousand.

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.

Part A - Accounting policies

Section 3 – Consolidation Procedures and Scope

The consolidation criteria and principles adopted in the preparation of the consolidated financial statements as at 31 December 2021 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 31, 2021 of FinecoBank S.p.A.;
- the draft accounts at December 31, 2021 of Fineco Asset Management DAC ("Fineco AM"), fully consolidated and wholly owned, prepared in accordance with IAS/IFRS where the items have been appropriately reclassified and adjusted for consolidation requirements.

Preliminary data referring to the accounting date of 31 December 2021 provided by Hi-MTF SIM S.p.A., the only investment subject to significant influence and included in the scope, were used for consolidation using the equity method.

Changes in the scope of consolidation

On 22 July 2021, FinecoBank completed the acquisition of a 20% stake in Hi-MTF Sim S.p.A. (hereinafter "Hi-MTF"). These consolidated financial statements therefore include the effect of the initial recognition of this investment which, in accordance with IAS 28, has been accounted for using the equity method.

1. Interests in fully-owned subsidiaries

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

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

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

Subsidiaries

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

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.

At 31 December 2021, the only subsidiary in the scope of consolidation is Fineco AM.

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.

At 31 December 2021, the only associate in the consolidation area is Hi-MTF SIM S.p.A..

Jointly controlled arrangements

A jointly controlled arrangement is a contractual arrangement in which two or more counterparties have joint control. Joint control is the sharing, on a contractual basis, of control of an arrangement, which exists only when decisions relating to relevant activities require the unanimous consent of all parties sharing control.

A jointly controlled arrangement has the following characteristics:

- the parties are bound by a contractual arrangement;
- the contractual arrangement gives two or more parties joint control of the arrangement.

According to IFRS 11, jointly controlled arrangements shall be classified as a joint operation or a joint venture depending on the contractual rights and obligations held by the Group:

- a joint operation is a jointly controlled arrangement in which the parties have rights to the assets and obligations for the liabilities related to the arrangement. These parties are referred to as joint operators;
- a joint venture is a jointly controlled arrangement in which the parties have rights to the net assets of the arrangement. Such parties are referred to as joint venturers.

The Group does not have any jointly controlled arrangements.

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

As at 31 December 2021, the only wholly-owned subsidiary, Fineco AM, is 100% owned.

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

No data to report.

3.2 Significant minority interests: accounting data

No data to report.

4. Significant restrictions

No data to report.

5. Other information

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

Consolidation methods

Full consolidation

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 recognised - after any allocation to assets or liabilities of the subsidiary, including intangible assets - as goodwill under Intangible Assets. Any negative differences are recognised 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.

Consolidation using the equity method

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 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 profits or losses realised after the date of acquisition, recognised in profit or loss in item 250.

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 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 recognised 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. 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 31, 2021.

On 24 February 2022, a military operation by Russia in Ukraine began, triggering a military conflict and an international crisis. For further details on this, please refer to the section "Subsequent events and outlook" in the Consolidated report on operation.

The Consolidated Financial Statements at December 31, 2021 were approved by the Board of Directors of March 15, 2022, which authorised their publication also pursuant to IAS10.

Section 5 – Other matters

During 2021, the following accounting standards, amendments and interpretations, approved by the European Commission, become effective for reporting periods beginning on or after January 1, 2021 (1 April 2021 or later for EU Regulation 2021/1421, with early application possible):

- Amendments to IFRS 4 Insurance Contracts – Extension of the temporary exemption from the application of IFRS 9 (EU Reg. 2020/2097)
- Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (EU Reg. 2021/25)
- Amendments to IFRS 16 Leases: Lease Arrangements related to the Covid-19 Outbreak after 30 June 2021 (EU Reg. 2021/1421)

Where applicable, these accounting standards, amendments and interpretations had no relevant impact on the consolidated financial statements as at December 31, 2021.

In particular, with reference to Regulation (EU) 2021/25, which implements the document "Reform of the reference indices for determining interest rates - phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16", published by the IASB on 27 August 2020, the main changes introduced concern the possible accounting impacts, in terms of representing changes to existing contracts and accounting hedges, resulting from the application of the new rates (the so-called replacement issue). In detail, the Regulation clarifies that the changes as a result of the IBOR Reform relating to the replacement of the existing IBOR rate with the new Risk Free Rate must not constitute a derecognition event under IFRS 9, but also in a similar way in the application of IFRS 16 to leasing contracts, introducing to this end a practical expedient that makes it possible to represent these changes, if made as a direct consequence of the IBOR Reform and on equivalent economic bases, with a prospective adjustment of the effective interest rate, with impacts on the interest margin of future periods. With regard to hedge accounting, certain exceptions to IAS 39 and IFRS 9 have been introduced that allow discontinuing following the update of the documentation on the hedging relationship (for the change in the hedged risk, the underlying hedged item or the hedging derivative or the method of verifying hedge's effectiveness) if a direct consequence of the IBOR Reform and carried out on an equivalent economic basis. For further details on the impact on the Group of the reform of the reference indices, please refer to the section "Additional information on the reform of the reference indices for determining interest rates".

It should also be noted that as of 1 January 2021, the regulations relating to the "New definition of default" (EU Regulation 2018/171 and EBA Guidelines 2016/07) came into force, which establishes more restrictive criteria and methods for classifying credit exposures at default than those adopted to date by Italian intermediaries, with the aim of harmonising the approaches for applying the definition of default and identifying the conditions of unlikely fulfilment among financial institutions and the different jurisdictions of EU countries.

The main changes include:

- the change to the materiality threshold that contributes, together with days past due (90 days), to determining the classification of exposures to default. This threshold consists of:
  - an absolute component of €100 for retail customers and €500 for all other types of exposure;
  - a relative component, represented by the percentage expressing the ratio between the amount of the credit obligation in arrears and the total amount of all exposures to the same debtor; the percentage adopted by the Bank of Italy and by the European Central Bank is 1%;
- the introduction of a cure period of three months for the reclassification as performing of debtors previously classified as non-performing;
- the introduction of a prohibition on offsetting past due amounts against any credit lines not used by the debtor.

The introduction of the "New definition of default" did not have any significant effects on the Group's exposures. In detail, as of 1 January 2021, the Group recorded an increase in impaired cash exposures of €271 thousand.

In addition, at 31 December 2021, the following accounting standards had been endorsed and are applicable for annual periods beginning after 2021:

- Amendments to IAS 16 Property, Plant and Equipment, Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Amendments to IFRS 3 Business Combinations and Annual IFRS Improvements Cycle 2018-2020 (EU Reg. (EU) 2021/1080), applicable at the latest from 1 January 2022;
- IFRS 17 - Insurance Contracts (EU Reg. 2021/2036), applicable at the latest from 1 January 2023.

Finally, at 31 December 2021, the IASB had issued the following standards and accounting interpretations or revisions thereof, the application of which is, however, still subject to the completion of the endorsement process by the competent bodies of the European Union, which is still underway:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current - Deferral of Effective Date (January 2020 and July 2020, respectively);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (February 2021):
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (February 2021);
- Amendments to IAS 12 Income Taxes: Deferred tax relating to assets and liabilities arising from a single transaction (May 2021);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9: Comparative Information (December 2021).

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

Finally, with reference to the impact of the Ukrainian crisis, it should be noted that the European Securities and Markets Authority (ESMA) published, on March 14, 2022, a Public Statement ("ESMA71-99-1864") which contains recommendations, addressed to listed companies and other supervised issuers, on the information to be disclosed when approving the 2021 financial statements and subsequent financial reports.

Additional disclosures relating to the reform of the reference indices for determining interest rates

With regard to the reform of the reference indices for determining interest rates, at the date of these financial statements there were no significant impacts or changes in the risk management strategy, as the Group, specifically the Parent Company, had already activated the transition process to the new reference indices in 2020, which was completed in 2021.

With reference to retail customers, during 2021 the Bank continued to offer its existing credit products to its customers by replacing, with a specific contractual amendment, the LIBOR index used for the relative remuneration with alternative reference rates, commonly used by market operators. With reference to multicurrency current accounts, it should be noted that the LIBOR index has been replaced as of 1 April 2021.

With regard to transactions with institutional counterparties, the Bank had already adhered to the Benckmark Supplement protocol and Ibor Fallbacks protocol in 2020. With regard to derivative transactions carried out through clearing houses, which provide for the exchange of the fixed rate against Euribor and the valuation of which, since they are collateralised, is carried out by discounting future flows with the OIS curve, on 27 July 2020, as a result of the reform carried out by the European Money Markets Institute (EMMI) and in line with the clearing houses (Eurex\LCH) used by FinecoBank, the Eonia rate of the OIS curve was replaced by the €STR rate, anticipating the divestment of the Eonia rate in 2021. Finally, during 2021, the Bank renegotiated some bilateral derivative contracts, replacing the EONIA rate with the €STR rate.

Actions taken by Central Banks as a result of the COVID-19 pandemic

During 2020, the Governing Council of the European Central Bank had intervened by adopting an extraordinary monetary package to support the euro area's real economy, and during the 2021 financial year it decided to reconfirm the very accommodative stance of its monetary policy in order to exit the pandemic safely, with the aim of bringing inflation back to 2% in a sustainable manner. In this regard, the Governing Council announced in December 2021 that the progress made in the economic recovery and towards the medium-term inflation target allows for a gradual reduction in the pace of asset purchases in the coming quarters, however, monetary accommodation is still needed for inflation to stabilise at the 2% target in the medium term. In view of the current uncertainty, the Governing Council has decided to maintain flexibility and remain open to all options in the conduct of monetary policy. The Governing Council is also prepared to adjust all its instruments, where appropriate and in any direction, to ensure that inflation stabilises at the 2% objective over the medium term.

It should be noted that taking into account the Recommendations of the European Central Bank ECB/2020/62 of 15 December 2020 and of the Bank of Italy of 16 December 2020, concerning the policies on dividend distributions and share buybacks that credit institutions and banking groups should adopt in the economic context burdened by the COVID-19 emergency, FinecoBank's Board of Directors, which met on 9 February 2021, had resolved to propose to the Shareholders' Meeting that the entire 2020 profit be allocated to reserves, a proposal approved by the Shareholders' Meeting on 28 April 2021. On 23 July 2021, the European Central Bank decided not to extend Recommendation ECB/2020/62 beyond September 2021, inviting

Part A - Accounting policies

banks to adopt prudence in their decisions on dividends and share buybacks, carefully considering the sustainability of their business model and without underestimating the risk that additional losses could later affect the evolution of their capital profile when the support measures adopted expire. On 27 July 2021, the Bank of Italy also published a new Recommendation on dividend distribution and variable remuneration policies of banks, which repeals the Recommendation of 16 December 2020, whereby, in line with the decision taken by the European Central Bank communicated that the previous Recommendation on dividends and remuneration policies would remain in force until 30 September 2021 and that the Bank of Italy would return to adopting the criteria for assessing capital and dividend distribution and share repurchase plans by banks as part of the ordinary SREP process. Without prejudice to the dialogue then underway with the Bank of Italy, taking into account the shareholders' equity resulting from the financial statements for the year ended 31 December 2020, the sustainability of the business model and the regulatory constraints to which FinecoBank is subject, also in its capacity as Parent Company of the FinecoBank Banking Group, the Board of Directors of 3 August 2021 resolved to propose to the Shareholders' Meeting the distribution of a unit dividend of EUR 0.53 for each of the 609. 899,770 shares, to be distributed to the Shareholders holding ordinary shares entitled to payment on the scheduled dividend date, for a total amount of EUR 323,247 thousand, drawn from available revenue reserves. On 21 October 2021, the Shareholders' Meeting approved the above proposal. The coupon was detached on 22 November 2021 and paid on 24 November 2021.

With regard to the initiatives put in place in 2020, please also note Regulation (EU) 873/2020 ("CRR "Quick-fix") of the EU Parliament and Council published on 26 June 2020. CRR "Quick-fix") of the EU Parliament and of the Council published on 26 June 2020, amending Regulation (EU) 575/2013 ("CRR") and Regulation (EU) 876/2019 ("CRR II") and which made a number of adjustments to the prudential framework in light of the Covid-19 health emergency, allowing credit institutions to apply specific transitional provisions, with the aim of providing capital support to enable credit institutions to continue to support the real economy in the context of the Covid-19 pandemic. This Regulation also anticipated the application of certain measures contained in CRR II, which are therefore valid until the latter enters into force on 28 June 2021. The main measures still in force include:

- the introduction of a transitional treatment period, from 1 January 2020 to 31 December 2022, during which institutions may exclude from the calculation of their primary tier 1 capital elements the amount of unrealised gains and losses accumulated since 31 December 2019 on debt instruments measured at fair value recognised in other comprehensive income corresponding to exposures to central governments, regional governments or local authorities referred to in Article 115(2) of the CRR, and to public sector entities referred to in Article 116(4) of the CRR, excluding impaired financial assets ("Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in light of the COVID-19 pandemic"). As at 31 December 2021, the Group did not make use of the option to apply the temporary treatment;
- the extension until 31 December 2024 of the transitional regime that allows to reduce the potential impact on CET1 resulting from the increase in provisions for expected credit losses calculated according to the IFRS 9 impairment model, through the gradual inclusion in CET1 ("Temporary treatment to mitigate the impact of the introduction of IFRS 9 on equity"). There is a possibility for banks that had previously decided to use or not to use the transitional provisions to be able to revoke their decision at any time during the new transitional period. As at 31 December 2021, the Group did not make use of the option to apply the transitional treatment;
- the reinstatement until 31 December 2024 of the transitional treatment provided for public debt issued in the currency of another Member State, which allows the application of a more favourable risk weight, which increases progressively until the end of the transitional period, for exposures to central governments and central banks of Member States denominated in the national currency of another Member State ("Temporary treatment of public debt issued in the currency of another Member State"). This treatment had no impact on the Group's risk-weighted assets as at 31 December 2021.

Finally, it should be noted that the Banking Supervision of the European Central Bank, in cooperation with the competent national authorities, carried out a thorough assessment of the main risks and vulnerabilities facing the significant institutions under its direct supervision and defined the strategic priorities for the next three years. The three priorities identified for the period 2022-2024 aim to ensure that banks

- emerge from the pandemic in good health;
- seize this opportunity to address structural weaknesses through effective digitisation strategies and strengthened governance;
- address emerging risks, including climate and environmental risks, cyber risks and cyber risks.

For each priority, ECB Banking Supervision has developed a set of strategic objectives and related work programmes for the next three years, in response to the most relevant vulnerabilities identified through the 2021 Risk and Priorities exercise.

Part A - Accounting policies

Documents supporting the application of accounting standards in relation to COVID-19 impacts, issued by the European Authorities/Standard setters

The health emergency caused by the spread of the COVID-19 pandemic and the uncertainty regarding its duration have had serious repercussions on the banking and financial system, whose outlook for the near future is still difficult to foresee.

In this context, in addition to the measures adopted by the national governments and central banks aimed at supporting the real economy, several Authorities have issued a series of guidance and measures concerning the accounting aspects, aimed at providing intermediaries flexibility in managing this particular situation, to enable them to provide their support for the measures adopted by national governments to deal with the economic impact from the COVID-19 pandemic.

The documents issued by the various European Authorities/Standard Setters, regarding the accounting and financial reporting aspects, covered the following specific matters in particular:

- guidance on the classification of loans and in particular the guidelines on the treatment of moratoria;
- the calculation of Expected Credit Loss (ECL) in accordance with IFRS 9 on a forward-looking basis;
- transparency and market disclosure.

Specifically, the following main documents were issued during the 2020 financial year and are still valid:

- on March 11th, 2020, the ESMA published the recommendation “ESMA recommends action by financial market participants for COVID-19 impact” in which it provided guidelines for conduct to be adopted in response to the impact of COVID-19 concerning the Business continuity planning, market disclosure, Financial reporting and Fund management;
- on March 20th, 2020, the European Central Bank, in its communication “ECB Banking Supervision provides further flexibility to banks in reaction to coronavirus”, provided guidance on the classification and measurement of loans subject to a moratorium and, under its prudential remit, it recommended that banks avoid excessively pro-cyclical assumptions in their provisioning models;
- on March 25th, 2020, the ESMA provided guidance on the accounting implications of the COVID-19 pandemic for the calculation of IFRS 9 ECLs in its public statement “Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9”, which provided guidance on how to consider moratoria in the application of the IFRS 9 requirements on “Modification and Derecognition”, “Assessment of significant increase in credit risk (SICR)” and “Expected Credit Loss estimation”;
- on March 25th, 2020, the EBA published the document “Statement on the application of the prudential framework regarding Default, Forbearance and IFRS9 in light of COVID-19 measures”, in which it addressed the topic of the management of loans subject to moratoria for the aspects related to (i) identification of default (ii) forbearance measures and (iii) IFRS 9 staging, specifying that the acceptance of a moratorium – either legislative or granted by the bank – is not an automatic trigger of default and is not, per se, a forbearance measure, because the moratoria are preventive in nature and general in scope (they are not set up specifically for the customer). The basic concepts were further examined and detailed in the subsequent EBA Communication “Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis” (EBA/GL/2020/02) of April 2nd, 2020. Subsequently, on June 2nd, 2020, the EBA published the “Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis” (EBA/GL/2020/07), which introduced specific disclosure and reporting on payment moratoria.[30] Lastly, on December 2nd, 2020, the EBA published the document “Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis” (EBA/GL/2020/15), in which it extended the guidelines on legislative and non-legislative moratoria until March 31st, 2021, previously applicable until September 30th, 2020;
- on March 27th, 2020, the ESMA published the public statement “Actions to mitigate the impact of COVID-19 on the EU financial markets regarding publication deadlines under the Transparency Directive”, aimed at promoting coordinated action by the national competent authorities regarding periodic disclosure requirements for periods ending on or after December 31st, 2019 in the context of the COVID-19 pandemic;
- on March 27th, 2020, the IFRS Foundation published “Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the COVID-19 pandemic”, which did not amend IFRS 9 but clarified that entities should not mechanically apply the existing methodology for determining ECL and should make adjustments to their models to take into account the different circumstances brought about by the pandemic, as well as the governmental economic support measures taken in response to COVID-19;
- on April 1st, 2020, the European Central Bank published the letter “IFRS 9 in the context of the coronavirus (COVID-19) pandemic”, addressed to significant banks, aimed at providing further guidance and references concerning the calculation of ECLs during the COVID-19 pandemic and avoiding the use of overly pro-cyclical assumptions;
- on April 9th, 2020, Consob issued a call for attention on financial reporting, in which it drew attention to the specific public statements on the impacts of COVID-19 on financial reporting by listed companies published by the ESMA in March, described above, containing recommendations that were referred to in full;
- on October 28th, 2020, the ESMA published its annual public statement “European common enforcement priorities for 2020 annual financial reports”, its annual public declaration in which it sets out the common European priorities to be applied in the preparation of financial reports for the year 2020;

[30] The Bank of Italy implemented the Guidelines through its communication dated June 30th, 2020.

- on December 4th, 2020, the European Central Bank published the letter “Identification and measurement of credit risk in the context of the coronavirus (COVID 19) pandemic”, addressed to significant banks and aimed at providing additional guidance on credit risk identification and measurement in the context of the COVID-19 pandemic.

It should also be noted that on 29 October 2021, ESMA published the public statement "European common enforcement priorities for 2021 annual financial reports", its annual public statement in which it sets out the common European enforcement priorities to be applied in the preparation of financial reports for the year 2021. The statement contains priorities related to International Financial Reporting Standards (IFRS) financial statements, priorities related to non-financial statements and other considerations related to Alternative Performance Measures (APMs). With regard to IFRS financial statements, the main priorities include:

- careful assessment and transparency in accounting for the long-term impacts of the COVID-19 pandemic and the recovery phase;
- consistency between information in IFRS financial statements and non-financial information on climate, consideration of climate risks, disclosure of any significant judgments and estimation of uncertainty about climate risks, clearly assessing materiality; and
- increased transparency regarding the measurement of the Expected Credit Loss (ECL), particularly in relation to the use of significant adjustments in the determination of the ECL, significant changes in credit risk, forward-looking information, changes in valuation allowances, credit risk exposures and related guarantees, and the effect of climate risk in the measurement of the ECL.

With regard to APMs, the statement emphasises that issuers should be careful when adjusting, labelling and/or creating new APMs to represent the impacts of COVID-19.

Finally, on 15 December 2021, ESMA published the 'Report on the application of the IFRS 7 and IFRS 9 requirements regarding banks' expected credit losses (ECLs)' in which it provides an overview of the application of the standards and requirements under IFRS 7 'Financial Instruments: Disclosures' and IFRS 9 'Financial Instruments' by European banks regarding the measurement and disclosure of expected credit losses (ECLs), with the aim of assessing their level of compliance, transparency and comparability. The overview is based on an analysis of the 2020 financial statements of a sample of 44 European banks. The report also provides recommendations to issuers on how to improve the application of the relevant requirements and ESMA expects issuers, their audit firms and their audit committees to consider the findings in the report when preparing and auditing their financial statements. ESMA's recommendations to issuers cover the following areas:

- general aspects of the disclosure of Expected Credit Loss (ECL);
- assessment of significant increase in credit risk (SICR);
- forward-looking information (FLI);
- explanation of changes in impairment provisions;
- transparency of disclosures on exposures subject to credit risk;
- disclosure of sensitivity analysis of the Expected Credit Loss (ECL).

Risks, uncertainties and impacts of the COVID-19 pandemic

In the section “Events during the period” reported in the Consolidated Report on Operations, which should be referred to for additional details, FinecoBank provided information on the impacts and current and future risks for the Group resulting from the COVID-19 pandemic, specifying that, from a forward-looking perspective, it does not expect to see a substantial impact on its strategic orientation, objectives or business model, which in fact will come out stronger, nor does it estimate an overall impact on performance thanks to the Group’s diversified sources of revenues. Despite this context of uncertainty and difficult forecasting, the Group's business model appears to be diversified and well-balanced: in fact, the Group can rely on a business model whose revenue sources are widely diversified and which allow it to deal with complex stress situations such as the current one. The FinecoBank Group's revenues are based on three main components (banking, brokerage and investing), which tend to have uncorrelated trends in times of crisis.

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

In the application of IFRS, and irrespective of the crisis generated by the COVID-19 pandemic, management is required to make judgements, estimates and assumptions about the carrying amounts of certain assets and liabilities as well as the information regarding potential assets and liabilities. The estimates and related assumptions, detailed in the section below, are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying amounts of assets and liabilities not readily available from other sources. At December 31st, 2021, these estimates may be affected also by evolution of COVID-19 pandemic.

Risks and uncertainties related to the use of estimates

In the presentation of the consolidated financial statements at December 31st, 2021, 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, 2021. 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. To this end, it should be noted that the amount of deferred tax assets recognised in the financial statements must be tested to verify the likelihood of future taxable income that would allow for their recovery. The test carried out on the occasion of the closing of the financial statements at 31 December 2021 has given a positive result, with no uncertainties emerging in this respect;
- tax liabilities;

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

In line with the guidelines expressed at European level on the assessment of significant increase in credit risk ("SICR"), the COVID-19 health emergency did not change the internal regulations adopted by the Group for the assessment of the creditworthiness of credit exposures, nor the criteria adopted for the staging allocation of retail customers (SICR assessment and classification into stage 1, 2 and 3). Measures taken in the context of the outbreak (such as suspension of loan payments or late payments), in accordance with the regulatory framework, were not considered an automatic trigger for SICR nor an automatic trigger for classification as forborne exposures.

It should be noted, however, that with reference to the institutional counterparties with which the Group carries out lending activities, starting from the 2021 financial year, the Group has replaced the approach based on comparing the PD resulting from UniCredit's internal models at the disbursement date and at the reporting date with the method of comparing the rating at the reference date with that recorded at the date the relationship was opened, as described above. The method, which makes use of the external rating assigned by the Moody's agency, is also applied to financial instruments acquired by the Group for investment purposes, replacing the previous approach based on the low risk exemption. The latter approach, expressly provided for by the accounting standard, provides an exemption to the transition to stage 2 for securities that are investment grade at the reporting date and provides for the classification in stage 2 for all financial instruments classified as non-investment grade at the reporting date, regardless of the riskiness of the instrument at the date of purchase. The decision to adopt a new methodology for staging allocation is in no way attributable to the pandemic crisis, and has been implemented in full continuity and consistency with the previous approach. There were no changes in the stage of the counterparties included in the scope.

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 16 December 2021, 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 9 February 2022, 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

Part A - Accounting policies

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 Hi-MTF 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 and the property owned for investment use held by FinecoBank, in order to assess whether there are any indications that the assets may be impaired, also considering the current context determined by the COVID-19 pandemic, the Bank, at the time of the closing of the financial statements as at 31 December 2021, requested appraisals from independent third party companies from which no evidence emerged that would lead to the need for impairment pursuant to IAS 36.

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 statements.

Going concern declaration

All relevant factors were taken into account when assessing significant items in the financial statements, including the continuing COVID-19 pandemic and its effects on the real economy. In addition, there is the ongoing conflict between Russia and Ukraine, which has triggered an international crisis whose outcome is currently unpredictable. While considering this context, it believes that there are no uncertainties regarding the Group’s ability to continue as a going concern in the foreseeable future or uncertainties that would give rise to a material adjustment to the carrying amounts within the next financial year. However, it cannot be ruled out that, due to their nature, those reasonable assumptions may not be confirmed in the Group’s actual future scenarios. In performing this valuation, the key regulatory indicators have been also considered, in terms of the period end figures at December 31st, 2021, the related buffers with respect to the minimum regulatory requirements and their evolution in the foreseeable future.

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

The Directors have considered these circumstances and consider that it is reasonably certain that the Group will continue to operate successfully in the foreseeable future and, therefore, in accordance with IAS 1, the consolidated financial statements for the year ended December 31st, 2021 have been prepared on a going concern basis.

Part A - Accounting policies

Contract modifications resulting from COVID-19

1. Contract modifications and derecognition (IFRS 9)

To limit the long-term effects of the crisis generated by the health emergency, the Italian Government adopted extraordinary measures to limit unemployment and support the most vulnerable sectors, which were accompanied by government-backed bank loans to businesses. The aid fund for first home mortgages (the Gasparrini Fund) was also extended to employees, self-employed workers and freelance professionals that have suffered more than a 33% decrease in revenue, due to the coronavirus emergency, compared with the turnover in the last quarter of 2019, as a result of the restrictions adopted for the COVID-19 emergency. Those eligible can suspend their loan payments for a determinated period and pay 50% of the interest accrued on the outstanding debt during the suspension period. The Gasparrini Fund (known as Consap) covers the remaining 50% of the interest accrued during the suspension period.

In addition to the above, FinecoBank subscribed to the ABI-Consumer Associations Agreement until March 2021 (expiry date of the agreement) for the suspension of loans to households as a result of the COVID-19 pandemic (personal loans and mortgages other than those meeting the conditions for recourse to the Gasparrini Fund), in line with the EBA Guidelines, mentioned above. Those eligibles were allowed to apply the suspension loan instalments (principal only or principal and interest) for a temporary period and pay 100% of the interest accrued on the outstanding debt during the suspension period.

For both moratoria, where there are no other additional factors not strictly related to those moratoria, FinecoBank has applied modification accounting, in line with the ESMA guidance, because the contract modifications are considered to be immaterial. The Group conducted a qualitative assessment and considered that these support measures provide temporary relief to borrowers affected by the COVID-19 pandemic, without significantly impairing the economic value of the loan.

Given that interest accrues on the postponed amounts (100% borne by the customer for the ABI agreement moratoria or 50% borne by the customer and 50% borne by Consap for the moratoria using the Gasparrini Fund), no significant modification losses have been identified.

2. Amendment to IFRS 16

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

Interbank Deposit Guarantee Fund - Voluntary Scheme

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

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

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

As at December 31, 2021, total exposure of equity instruments, arising from grants deriving from the aforementioned contributions paid by the Bank, net of write-downs and cancellations made in previous years and of the effects of the fair value valuation on that date amounted to € 457 thousand (of which € 152 thousand relating to the contributions paid for the intervention in favour of Carige and € 305 thousand relating to the contributions paid for the intervention in favour of Carim, Carismi and CariCesena).

In particular, the fair value measurement as at December 31, 2021 of equity instruments booked by the Bank as part of the operation approved by the Voluntary Scheme for the initiative taken by Credit Agricole CariParma in support of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi) showed an impairment which has resulted in the recognition in the income statement in 2021 a further negative fair value valuation of € 16 thousand. The measurement model adopted is based on the Discounted Cash Flow model depending on recovery assumptions.

The fair value measurement as at December 31, 2021 of equity instruments booked by the Bank as part of the initiative supporting Banca Carige S.p.A. showed an impairment which resulted in the recognition in the income statement in 2021 a further negative fair value valuation of € 723 thousand. As market valuations or prices of comparable securities are not available, the fair value of the instrument was determined by the Group using valuation models and methods applied in a multi-scenario analysis. Scenarios incorporate the most recent press release regarding the non-binding offers received by the Fund for the acquisition of the entire stake held.

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 2021 was € 1,186,841 thousand (€ 952,366 thousand in 2020), broken down as follows:

- € 865,267 thousand as ordinary contributions to the endowment (€ 641,532 thousand in 2020);
- € 294,581 thousand as additional contribution (€284,639 thousand in 2020), aimed at gradually replenishing, until 2024, the part of the financial envelope that has been used in total for interventions (Statute, Art. 25),
- € 26,993 thousand as additional contribution (€ 26,195 thousand in 2020).

The share of each consortium member was calculated based on their respective amount of protected deposits at September 30th, 2021 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 2021, which is only paid by the Parent Company FinecoBank, is recognised under item 190. "Administrative expenses b) other administrative expenses", and totalled €32,334 thousand (€ 25,901 thousand in 2020), broken down as follows:

- € 23,573 thousand for the ordinary annual contribution (€ 17,448 thousand in 2020);
- € 8,026 thousand for the additional contribution (€ 7,741 thousand in 2020);
- € 735 thousand for the supplementary contribution (€ 712 thousand in 2020).

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 2021, which is only paid by the Parent Company FinecoBank, is recognised under item 190. "Administrative expenses b) other administrative expenses" and amounted to € 5,812 thousand (€ 687 thousand for the year ended December 31st, 2020). This was accompanied by the additional contribution to the National Resolution Fund pursuant to Article 1, paragraph 848 of Law 208/2015, called up from the banking system by the Bank of Italy, recognised under item 190. "Administrative expenses b) other administrative expenses", and amounting to € 1,893 thousand (€ 217 thousand for the year ended December 31st, 2020).

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.

Regulation (EU) 2021/337 of the European Parliament and of the Council of 16 February 2021 introduced the possibility for a Member State to authorise issuers to apply this disclosure requirement for financial years beginning on or after 1 January 2021, provided that such Member State notifies the Commission of its intention to authorise such postponement by 19 March 2021, and that such intention is duly justified. Subsequently, in March 2021, the European Parliament and the Council of the European Union approved the one-year extension of the entry into force of Regulation 815/2019. Law No. 21/2021 converting, with amendments, Decree-Law No. 183 of 31 December 2020 was published in the Official Gazette, General Series, No. 51 of 1 March 2021. Article 3, paragraph 11-sexies, provides for the postponement by one year of the application of the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018, providing that they shall apply to financial reports relating to financial years started on or after 1 January 2021.

Accordingly, 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 1 January 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. If it is not appropriate to use elements of the base taxonomy, issuers shall create the elements of the extension taxonomy.

From January 1st, 2021, and therefore from the consolidated financial statements for the year ending December 31st, 2021, 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)

From January 1st, 2022, and therefore from the annual financial reports for the year ending December 31st, 2022, the obligation of preparation in accordance with the new ESEF will also extend to the information contained in the Notes to the consolidated accounts and the consolidated report on operations when cross references are made.

At its meeting of 15 March 2022, the Board of Directors of FinecoBank approved the taxonomy to be used for marking up the schedules of these 2021 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 2021" was approved by the Board of Directors of FinecoBank at the same meeting on 15 March 2022.

Other information

The Consolidated financial statements as at December 31, 2021 have been reviewed, pursuant to Italian Legislative Decree no. 39 of January 27, 2010 and Regulation (UE) 2014/537, by Deloitte & Touche S.p.A. appointed as auditor of the Bank's accounts in implementation of the Shareholders' Meeting resolution of April 16, 2013.

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

Part A - Accounting policies

A.2 The main items of the accounts

Some accounting standards adopted for the preparation of the consolidated financial statements at 31 December 2021 are modified with respect to those adopted for the preparation of the consolidated financial statements at 31 December 2020.

These changes concern hedging transactions, since, starting from 1 January 2021, the Group has decided to apply the hedge accounting rules envisaged by IFRS 9, replacing IAS 39, with the exception of fair value hedging transactions of the exposure at the interest rate of a portfolio of financial assets or liabilities (so-called “Macro Hedge Accounting”), for which it continues to apply the provisions on the accounting of hedging transactions pursuant to IAS 39, as required by IFRS 9 paragraph 6.1.3. For more details, see the following paragraph 4. “Hedging transactions”. The transition to the IFRS9 accounting standard carried out on 1 January 2021 generated a negative economic impact of approximately €220 thousand, entirely recorded within item 90. "Net hedging result".

With reference to tax credits related to the "Cura Italia" and "Rilancio" Decree-Laws acquired following their transfer by the direct beneficiaries or by previous purchasers, whose accounting treatment is not attributable to a specific international accounting standard, the Group has prepared an accounting policy suitable to guarantee a relevant and reliable disclosure of such transactions, as required by IAS 8. For further details, please refer to the following paragraph "Tax credits related to the "Cura Italia" and "Rilancio" law decrees".

Finally, as described in Section 2 - General principles for preparation, on 29 October 2021 the Bank of Italy issued its 7th update to Circular No. 262 "Banks' financial statements: layouts and preparation " of 22 December 2005, applicable to financial statements closed or in progress as at 31 December 2021, which introduced changes mainly concerning the presentation in the financial statements of the balance sheet item "Cash and cash equivalents", "impaired financial assets acquired or originated", intangible assets, details on fee and commission income and contributions to the resolution fund and deposit guarantee schemes (for further details see the information provided in Section 2 – Preparation criteria).

The criteria for the recognition, classification, measurement, derecognition and recording of income and expense items are described below for each item in the balance sheet and, to the extent compatible, in the income statement.

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), while "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:

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 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

From 1 January 2021, the Group applies the hedge accounting rules set out in IFRS 9, replacing IAS 39, 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 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 "Valuation 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. "Valuation 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. “Valuation 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 as of 31 December 2021, 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 as at 31 December 2021, 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.

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 the 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.

Buildings, if separately quantifiable, are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. 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 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-year 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.

Part A - Accounting policies

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 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 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.

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 31, 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.

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.

Part A - Accounting policies

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.

The Group's consolidated debts do not include covenants that would cause default or restructuring events. There are no debt instruments involving convertibility to equity instruments (under IASB IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments).

At the date of these consolidated financial statements, there were no hybrid debt instruments or instruments convertible into treasury shares.

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

IFRS4 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 170. “Other income (net) from insurance activities” from the consolidated income statement, of gross premiums, inclusive of any amounts accrued during the financial year as a result of the underwriting of insurance contracts, net of any cancellations. Premium transferred to reinsurers during the year is also recognised in this item;

- item 110. “Technical provisions” of liabilities in the Consolidated financial statement, any commitments to insured parties, calculated for each contract with the projection method based on standard market demographic/financial assumptions;
- item 80. “Technical provisions for re-insurers” of assets in the Consolidated financial statement, commitments for re-insurers.

At the date of these consolidated financial statements, no insurance assets and liabilities were held.

18 - Other information

Business Combinations

A business combination is a transaction through which an entity obtains control of a company or of a business segment, thus bringing together different businesses into one reporting entity.

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.

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 the 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 25 January 2017 "Additional contributions to the National Resolution Fund: treatment in financial statements and in supervisory reporting". The application of IFRS to

Part A - Accounting policies

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 'Taxes'. 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 tax represents a use of resources embodying economic benefits imposed by governments on entities in accordance with legislation'. Both 'ordinary' and 'extraordinary' tax obligations arise from legislation and, consequently, are covered by the notion of 'taxes' 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:

(a) the entity will comply with the terms and conditions; and

(b) 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.

Part A - Accounting policies

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")[31] 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[32], 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 "Hold 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".

[31] Converted into law, with amendments, respectively by Law no. 27 of 24 April 2020 and Law no. 77 of 17 July 2020.

[32] On 5 January 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".

Part A - Accounting policies

Classification of financial assets

The new 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 the eligibility thresholds for sales that do not affect the classification (frequent but not significant, individually and in aggregate, or infrequent even if of a significant amount) and, at the same time, the parameters were established to identify sales consistent with this business model as they are attributable to an increase in credit risk.

The Gruppo 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 (mortgages, personal loans, unsecured loans, revolving credit cards, current account credit lines and, usually, overdraft facilities, etc.);
- 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 pursued by the Group as part of its 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 Group pursues - as part of its investment policy - the management of its current liquidity, the maintenance of a set interest margin or the alignment of the terms of financial assets and liabilities. 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 financial cash flows and the sale of financial activities.

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 through the use of 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, taking into account 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).

Part A - Accounting policies

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.

Recognition is also subject to verification of substantially transfer of all the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall de-recognise the asset (or group of assets) and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

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, LGD and EAD criteria used for regulatory purposes, to which specific directions are made to ensure full cohesion with the accounting standard[33]. In this regard, forward-looking information has also been included[34] with the elaboration of specific scenarios.

The expected loss is calculated for institutional counterparties, using the credit parameters provided by Moody's Analytics.

[33] 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.

[34] 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.

For the purposes of the calculation of the expected loss for the retail counterparties do not have internal rating systems at their disposal, they use proxies. Segmentation by product type is carried out and the PD is replaced by the average decay rate observed by the transition matrixes defining the change to classify. This approach is based on the assumption that when there are no changes in the criteria adopted to assess the creditworthiness of the individual counterparties, the quality of the future credit will be consistent with the quality of the credit found in the time series available. To implement the requirements of the IFRS9 rule, the proxies of the parameters are corrected using forward looking information.

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, starting from January 2021 the Group has replaced the approach based on the comparison between the PD resulting from the internal UniCredit models at origination and the one recorded at reporting date with a new approach. This one is based on the comparison between the rating at the reference date and the one recorded at first recognition described above. The method, which makes use of the external rating assigned by the Moody's agency, is also applied to financial instruments purchased by the Group for investment purposes, in order to replace the previous approach based on the low risk exemption. The latter approach, expressly envisaged by the accounting standard, allow for an exemption to the transition to stage 2 for securities that at the reporting date are low risk (investment grade) and provides for the allocation in stage 2 for all financial instruments classified as non-investment grade at the reference date, regardless of the riskiness of the instrument at the purchase date.

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.

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 30 July 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 non-performing loans 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 non-performing 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.

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.

The amount of the restatement of the lease liability should be recognised as an adjustment to the right-of-use asset. In accordance with the standard, which grants exemptions in this respect, contracts involving low-value assets (the threshold of which was identified as €5 thousand), all leases with a contractual duration of 12 months or less (known as "short term leases") were excluded and it was decided 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.

The liabilities related to TLTRO III operations are recognised in “Financial liabilities at amortised cost” and are measured at amortised cost, applying the provisions of IFRS 9. The Group considers the interest rate as a specific market rate for this type of operation, carried out within the framework of the monetary policy measures implemented by the European Central Bank, which sets the level of the interest rate.

The effective interest rate is determined separately for each operation based on the expected cash flows, which include the forecasts of the maintenance of the “net eligible loans”, required to obtain the additional remuneration envisaged in the special interest rate periods, which are verified using a statistical approach that estimates the likelihood of this requirement being achieved with an adequate level of confidence, supported by forecasts.

The TLTRO operations are considered equivalent to floating rate financial liabilities and the expected cash flows resulting from the change in the average rate on deposits at the Central Bank are therefore recognised in accordance with IFRS 9, under which the effective interest rate is altered by the periodic re-estimation of cash flows to reflect movements in market rates of interest. The re-estimation of the future interest payments normally has no significant effect on the carrying amount of the liability. In contrast, the change in the expected cash flows related to the additional remuneration envisaged in the special interest rate periods, resulting from changes in the estimated payments due to revised assessments of the achievement of the eligibility criteria, necessitates a re-estimation of the carrying amount of the liability.

It should be noted that on 9 February 2021, ESMA submitted a question to the IFRS Interpretations Committee (IFRS-IC) regarding the accounting methods for TLTRO III transactions with particular reference to the following aspects: the applicability of IFRS 9 or IAS 20 to the transactions in question, the method of accounting for interest in so-called "special interest periods" and the accounting treatment of changes in estimates (both as a result of contractual changes and with regard to the achievement of benchmarks that allow the benefit of improved rates) on which IFRS-IC has not yet expressed a definitive opinion at the moment.

Share-Based Payment

Equity-settled payments made to employees or other staff (in particular, 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 recognized.

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.

Part A - Accounting policies

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.

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. "Reserves" 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.

Part A - Accounting policies

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 will enter a write-off by reducing the gross exposure of a financial asset if there are no reasonable expectations of recovering all or part of that asset.

The Group will recognise a write-off in the following cases:

- there is no longer any reasonable expectation of recovering all or part of the asset despite the presence of the legal rights to recover the accrued capital and interest;
- waiver of the legal right to recover the accrued capital and interest;
- cessation of the legal right to recover capital and interest due to completion of the attempts at recovery.

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,

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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.

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 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.

Part A - Accounting policies

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 2021 the Group has not made changes to its business models and, consequently, did not make any changes.

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

No data to report.

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

No data to report.

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

No data to report.

Part A - Accounting policies

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" preferred shares and the exposure in equity securities recognized against the contributions paid to the Voluntary Scheme established by the "Fondo Interbancario di Tutela dei Depositi", for which reference is made to the following paragraph "Equities".

Fixed Income Securities

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

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

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

Structured Financial Products

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

OTC derivatives

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

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

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

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

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

Equity Instruments

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

In order to provide a fair value for Visa INC preferred shares class "C" and class "A", the Group has adopted a model which converts the market price in dollars of Visa INC class "A" shares into euro and applies a discount factor. For the class "C" preferred shares valuation as at 31 December 2021 such factor was determined equal to 7.87%, estimating as at December 31, 2021, litigation risk at 1.87% and illiquidity risk at 6%. The litigation risk component has been extracted from an historical series of data provided by Visa INC, whereas the illiquidity risk component has been derived from the illiquidity of shares having limitations on their transferability for a certain period. The Visa INC preferred shares class "C" have been marked as level 3 of fair value hierarchy.

With regards to the contributions paid to the Interbank Deposit Guarantee Fund for the support measures in favour of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi), the fair value of the related equity instruments has been determined using a model based on the Discounted Cash Flow model according to the recovery forecasts. The fair value of equity instruments arising from the contributions paid in relation to the intervention in favor of Banca Carige S.p.A., has been determined through models and valuation methods applied in multi-scenario analysis. Scenarios incorporate the most recent press reports regarding the non-binding offers received by the Fund for the acquisition of the entire stake held.

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

Investment Funds

The Group may hold investments in investment funds publishing a Net Asset Value (NAV) per share and may include investments in funds managed by the Group itself. Funds are generally classified as Level 1 when an official price is available on active markets. Funds shall be classified as Level 2 and Level 3 depending on the NAV availability, the transparency of the portfolio and any possible constraints/limitations.

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

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

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

Financial assets at amortised cost

For financial assets at amortised cost, whose fair value is not based on prices observed on active markets (level 1), the fair value is determined using the discounted cash flow model adjusted for credit risk. Some portfolios are valued using simplified approaches, which however take into account their financial characteristics.

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

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

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

Financial liabilities at amortised cost

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

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

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" and in equity securities recognised against contributions paid to the Voluntary Scheme set up by the Interbank Deposit Protection Fund, for which reference should be made to the paragraph "Equity Securities" 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: 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)

	12/31/2021			12/31/2020		
Assets/Liabilities at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets at fair value through profit or loss	17,083	3,348	5,347	13,973	3,491	10,521
a) financial assets held for trading	16,894	3,346	-	13,506	3,491	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	189	2	5,347	467	-	10,521
2. Financial assets at fair value through other comprehensive income	39,012	-	5	143,693	-	5
3. Hedging derivatives	-	127,448	-	-	19,003	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**56,095**	**130,796**	**5,352**	**157,666**	**22,494**	**10,526**
1. Financial liabilities held for trading	2,486	1,931	-	4,028	1,843	18
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	57,313	-	-	214,388	-
Total	**2,486**	**59,244**	**-**	**4,028**	**216,231**	**18**

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 COVID-19 pandemic on fair value measurement

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

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	**10,521**	**-**	**-**	**10,521**	**5**	**-**	**-**	**-**
2. Increases	**1,013**	**287**	**-**	**726**	**-**	**-**	**-**	**-**
2.1 Purchases	287	287	-	-	-	-	-	-
2.2 Profits recognised in:	726	-	-	726	-	-	-	-
2.2.1 Income Statement	726	-	-	726	-	-	-	-
- of which unrealised gains	379	-	-	379	-	-	-	-
2.2.2 Shareholders' Equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	**(6,187)**	**(287)**	**-**	**(5,900)**	**-**	**-**	**-**	**-**
3.1 Sales	(5,409)	(277)	-	(5,132)	-	-	-	-
3.2 Redemptions	-	-	-	-	-	-	-	-
3.3 Losses recognised in:	(778)	(10)	-	(768)	-	-	-	-
3.3.1 Income Statement	(778)	(10)	-	(768)	-	-	-	-
- of which unrealised losses	(768)	-	-	(768)	-	-	-	-
3.3.2.Shareholders' Equity	-	X	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balances	**5,347**	**-**	**-**	**5,347**	**5**	**-**	**-**	**-**

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	**18**	**-**	**-**
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 Trasfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**(18)**	**-**	**-**
3.1 Reimbursements	-	-	-
3.2 Repurchases	(11)	-	-
3.3 Profits recognised in:	(7)	-	-
3.3.1 Income Statement	(7)	-	-
- of which capital gains	-	-	-
3.3.2 In equity	X	-	-
3.4. Trasfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balances	**-**	**-**	**-**

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	12/31/2021				12/31/2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets at amortised cost	30,895,959	20,783,239	4,235,999	6,607,661	28,839,472	18,800,104	5,909,192	5,274,062
2. Tangible assets held for investment	1,764	-	-	2,292	3,600	-	-	2,367
3. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**30,897,723**	**20,783,239**	**4,235,999**	**6,609,953**	**28,843,072**	**18,800,104**	**5,909,192**	**5,276,429**
1. Financial liabilities at amortised cost	31,570,201	489,712	1,032,069	30,038,707	29,424,598	-	942,853	28,474,782
2. Liabilities included in disposal group classified as held for sale	-	-	-	-	-	-	-	-
Total	**31,570,201**	**489,712**	**1,032,069**	**30,038,707**	**29,424,598**	**-**	**942,853**	**28,474,782**

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

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

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

Part A - Accounting policies

A.5 Day-one profit/loss

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

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
a) Cash	335	7
b) Current account and demand deposits with Central banks	1,256,399	1,760,341
c) Current accounts and demand deposits with banks	207,448	254,051
Total	**1,464,182**	**2,014,399**

It should be noted that the comparative information as at 31 December 2020 on the composition of the item "Cash and cash balances" was restated following the entry into force of the 7th update of Circular no. 262 "Banks' financial statements: presentation formats and rules", which, in line with the corresponding item on the assets side of the balance sheet, requires all on-demand receivables, in the form of current accounts and deposits, from banks and central banks (with the exception of the reserve requirement) to be recognised under the item "Cash and cash balances", whereas previously it only included on-demand receivables from central banks. Specifically, in the 2020 Financial Statements current accounts and demand deposits with banks, shown in the table above under c) in the amount of €254,051 thousand, were recognised in "Financial assets at amortised cost" with banks.

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

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

Part B - Consolidated Balance Sheet

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

2.1 Financial assets held for trading: product breakdown

(Amounts in € thousand)

Items/Amounts	Total 12/31/2021			Total 12/31/2020		
	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	14,792	-	-	9,942	-	-
3. Units in investment funds	5	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**14,797**	**-**	**-**	**9,942**	**-**	**-**
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	2,097	3,346	-	3,564	3,491	-
1.1 trading financial derivatives	2,097	3,346	-	3,564	3,491	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading derivatives	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	**2,097**	**3,346**	**-**	**3,564**	**3,491**	**-**
Total (A+B)	**16,894**	**3,346**	**-**	**13,506**	**3,491**	**-**

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

Equities in the proprietary portfolio are mainly used for management hedging of open equity CFD positions in 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 on forex, indices, shares, interest rates and commodities 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 Turbo Certificates issued, and Turbo Certificates issued for a total amount of € 3,310 thousand (€ 3,352 thousand as at December 31, 2020).

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 € 2,133 thousand (€ 3,702 thousand as at December 31, 2020).

Part B - Consolidated Balance Sheet

2.2 Financial assets held for trading: breakdown by issuer/borrower

(Amounts in € thousand)

Items/Amounts	Total 12/31/2021	Total 12/31/2020
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	14,792	9,942
a) Banks	-	7
b) Other financial companies	1,153	300
of which: Insurance companies	-	2
c) Non-financial companies	13,639	9,635
d) Other issuers	-	-
3. Units in investment funds	5	-
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)	**14,797**	**9,942**
B. Derivative instruments		
a) Central Counterparties	93	38
b) Others	5,350	7,017
Total (B)	**5,443**	**7,055**
Total (A+B)	**20,240**	**16,997**

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 12/31/2021			Total 12/31/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**72**	**2**	**-**	**50**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	72	2	-	50	-	-
2. Equity instruments	**1**	**-**	**5,347**	**7**	**-**	**10,521**
3. Units in investment funds	**116**	**-**	**-**	**410**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	**189**	**2**	**5,347**	**467**	**-**	**10,521**

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

The “Other financial assets mandatorily at fair value” primarily consist of the Visa INC class “C” preferred shares, for an amount of € 4,884 thousand, which saw a positive change in fair value during 2021 of € 350 thousand and the residual equity instruments exposure following the contribution paid to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF) amounting to € 457 thousand (of which € 152 thousand relating to the Banca Carige transaction and € 307 thousand relating to Carim, Carismi and CariCesena transaction), with a negative effect recorded in 2021 income statement amounting to € 793 thousand due to the fair value measurement. For more details on the fair value measurement of financial instruments, please refer to Part A - Accounting Policies - A.4 Information on the fair value of these notes to the consolidated accounts.

The preferred shares of Visa INC class "A" present in "Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value" at 31 December 2020 were sold during the 2021 financial year.

Equity securities of issuers in default were classified by the Group as non-performing in the financial statements for a total amount of € 2 thousand.

Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
1. Equity instruments	**5,348**	**10,528**
of which: banks	1	1
of which: other financial companies	5,341	10,516
of which: other non-financial companies	5	11
2. Debts securities	**74**	**50**
a) Central Banks	-	-
b) Public Entities	71	47
c) Banks	3	3
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
3. Units investment funds	**116**	**410**
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	**5,538**	**10,988**

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 12/31/2021			Total 12/31/2020		
	L1	L2	L3	L1	L2	L3
1. Debts securities	**39,012**	**-**	**-**	**143,693**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	39,012	-	-	143,693	-	-
2. Equity instruments	**-**	**-**	**5**	**-**	**-**	**5**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**39,012**	**-**	**5**	**143,693**	**-**	**5**

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 € 5 thousand for which, upon first application of IFRS 9, the "FVTOCI"[35] option was exercised. For more details, see the information on Sovereign exposures set out in Part E of the notes to the consolidated accounts.

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

(Amounts in € thousand)

Items/Amounts	Total 12/31/2021	Total 12/31/2020
1. Debt securities	**39,012**	**143,693**
a) Central Banks	-	-
b) Public Entities	39,012	143,693
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity Instruments	**5**	**5**
a) Banks	-	-
b) Other issuers:	5	5
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	5	5
- 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	**39,017**	**143,698**

[35] 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 measured at fair value with an impact on overall profitability: gross value and total value adjustments

(Amounts in € thousand)

	Gross amount					Writedowns				
	First stage	of which: low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	Write off partial total
Debt securities	39,018	-	-	-	-	(6)	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 12/31/2021	**39,018**	**-**	**-**	**-**	**-**	**(6)**	**-**	**-**	**-**	**-**
Total 12/31/2020	**143,710**	**143,710**	**-**	**-**	**-**	**(17)**	**-**	**-**	**-**	**-**

3.3a Loans and advances measured at fair value with an impact on overall profitability subject to measures applied in response to the COVID-19: gross values and writedown

No data to report.

Part B - Consolidated Balance Sheet

Section 4 - Financial assets at amortised cost – Item 40

4.1 Financial assets valued at amortized cost: Loans and receivables with banks

(Amounts in € thousand)

Type of transaction/Values	Total 12/31/2021						Total 12/31/2020					
	Carrying amount			Fair value			Balance value			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
A. Loans and receivables to Central Banks	**298,040**	**-**	**-**	**-**	**-**	**298,040**	**271,500**	**-**	**-**	**-**	**-**	**271,500**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	298,040	-	-	X	X	X	271,500	-	-	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	**5,459,466**	**-**	**-**	**1,438,943**	**3,991,717**	**81,822**	**7,728,780**	**-**	**-**	**1,756,035**	**5,860,094**	**254,922**
1. Loans	81,822	-	-	-	-	81,822	254,922	-	-	-	-	254,922
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	69,508	-	-	X	X	X	45,367	-	-	X	X	X
1.3 Other loans	12,314	-	-	X	X	X	209,555	-	-	X	X	X
- Reverse repos	222	-	-	X	X	X	1,122	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	12,092	-	-	X	X	X	208,433	-	-	X	X	X
2. Debts securities	5,377,644	-	-	1,438,943	3,991,717	-	7,473,858	-	-	1,756,035	5,860,094	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	5,377,644	-	-	1,438,943	3,991,717	-	7,473,858	-	-	1,756,035	5,860,094	-
Total	**5,757,506**	**-**	**-**	**1,438,943**	**3,991,717**	**379,862**	**8,000,280**	**-**	**-**	**1,756,035**	**5,860,094**	**526,422**

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

It should be noted that the comparative information at 31 December 2020 on the breakdown of loans and advances to banks has been restated following the entry into force of the 7th update of Circular no. 262 "Banks' financial statements: layouts and presentation", which, consistently with the corresponding item on the asset side of the balance sheet, requires that all on-demand receivables, in the form of current accounts and deposits, from banks and central banks (with the exception of the reserve requirement) be recognised under the item "Cash and cash balances", while previously on-demand receivables from banks were included under the item "Financial assets at amortised cost". Specifically, in the 2020 current accounts and demand deposits with banks were included under "B. Receivables to banks 1. Loans 1.1 Current accounts" amounting to € 254,051 thousand.

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

The item "Other loans: Other" refers for € 3,960 thousand to the amount of the initial and variation margins and collateral deposits placed with credit institutions for derivative transactions (€ 202,393 thousand as at December 31, 2020), and € 8,132 thousand to current receivables associated with the provision of financial services (€ 6,041 thousand as at December 31, 2020).

The item “Debt securities” includes € 3,856,364 thousand relating to debt securities issued by UniCredit S.p.A. (€ 5,738,917 thousand as at December 31, 2020).

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.

4.2 Financial asset valued at amortized cost: breakdown product of receivables to customers

(Amounts in € thousand)

Type of transaction/Values	Total 12/31/2021						Total 12/31/2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
1. Loans	**5,997,216**	**4,380**	**-**	**-**	**-**	**6,227,799**	**4,524,307**	**3,530**	**-**	**-**	**-**	**4,747,640**
1.1.Current accounts	2,107,400	2,242	-	X	X	X	1,600,663	2,103	-	X	X	X
1.2. Reverse repos	193,176	100	-	X	X	X	154,963	51	-	X	X	X
1.3. Mortgages	2,478,473	882	-	X	X	X	1,667,948	338	-	X	X	X
1.4. Credit cards, personal loans and wage assignment losses	823,203	1,020	-	X	X	X	732,489	871	-	X	X	X
1.5 Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	394,964	136	-	X	X	X	368,244	167	-	X	X	X
2. Debt securities	**19,136,857**	**-**	**-**	**19,344,296**	**244,282**	**-**	**16,311,355**	**-**	**-**	**17,044,069**	**49,098**	**-**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	19,136,857	-	-	19,344,296	244,282	-	16,311,355	-	-	17,044,069	49,098	-
Total	**25,134,073**	**4,380**	**-**	**19,344,296**	**244,282**	**6,227,799**	**20,835,662**	**3,530**	**-**	**17,044,069**	**49,098**	**4,747,640**

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

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

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

Part B - Consolidated Balance Sheet

- 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 valued at amortized cost: breakdown by debtors/issuers of receivables to customers

(Amounts in € thousand)

Type of transaction / Values	Total 12/31/2021			Total 12/31/2020		
	First and second stage	Third stage	Purchased or originated impaired assets	First and second stage	Third stage	Purchased or originated impaired assets
1. Debt securities	**19,136,857**	**-**	**-**	**16,311,355**	**-**	**-**
a) Public Administration	19,136,857	-	-	16,311,355	-	-
b) Other financial company	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial companies	-	-	-	-	-	-
2. Loans to:	**5,997,216**	**4,380**	**-**	**4,524,307**	**3,530**	**-**
a) Public Administration	5	-	-	4	-	-
b) Other financial company	377,439	1	-	353,013	1	-
of which: insurance companies	27,042	-	-	20,393	-	-
c) Non financial companies	718	21	-	813	18	-
d) Households	5,619,054	4,358	-	4,170,477	3,511	-
Total	**25,134,073**	**4,380**	**-**	**20,835,662**	**3,530**	**-**

4.4 Financial assets at amortized cost: gross value and total value adjustments

(Amounts in € thousand)

		Gross amount					Writedowns				Write off partial total
		First stage	of which: low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
Debt securities		24,520,355	-	-	-	-	(5,854)	-	-	-	-
Loans		6,373,936	-	15,639	24,540	-	(8,624)	(3,873)	(20,160)	-	-
Total	**12/31/2021**	**30,894,291**	**-**	**15,639**	**24,540**	**-**	**(14,478)**	**(3,873)**	**(20,160)**	**-**	**-**
Total	**12/31/2020**	**28,842,734**	**23,792,707**	**13,277**	**25,489**	**-**	**(16,311)**	**(3,758)**	**(21,958)**	**-**	**-**

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4.4a Loans and advances measured at amortised cost subject to measures applied in response to the COVID-19: gross values and writedown

(Amounts in € thousand)

		Gross value					Writedown				
		First stage	of which: low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	Write off partial total*
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)		124	-	-	-	-	(1)	-	-	-	-
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted		107	-	-	-	-	(1)	-	-	-	-
3. Other loans and advances subject to COVID-19-related forbearance measures		-	-	773	-	-	-	(11)	-	-	-
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-	-	-	-	-
Total	**12/31/2021**	**231**	**-**	**773**	**-**	**-**	**(2)**	**(11)**	**-**	**-**	**-**
Total	**12/31/2020**	**16,286**	**-**	**1,236**	**45**	**-**	**(41)**	**(56)**	**(36)**	**-**	**-**

Section 5 – Hedging derivatives – Item 50

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

(Amounts in € thousand)

	Fair Value 12/31/2021			NA	Fair Value 12/31/2020			NA
	L1	L2	L3	12/31/2021	L1	L2	L3	12/31/2020
A. Financial derivatives								
1. Fair value	-	127,448	-	6,228,710	-	19,003	-	620,000
2. Cash flows	-	-	-	-	-	-	-	-
3. Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**127,448**	**-**	**6,228,710**	**-**	**19,003**	**-**	**620,000**

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	97,454	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	21,147	X	-	X
4. Others	-	-	-	-	-	-	X	-	X	-
Total assets	**97,454**	**-**	**-**	**-**	**-**	**-**	**21,147**	**-**	**-**	**-**
1. Financial Liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	8,847	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**8,847**	**-**	**-**	
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	-	-

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

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

(Amounts in € thousand)

Fair value of hedged assets/Amounts	Total 12/31/2021	Total 12/31/2020
1. Positive changes	**19,648**	**55,448**
1.1 of specific portfolios:	19,648	55,448
a) financial assets at amortized cost	19,648	55,448
b) financial assets at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative changes	**(21,183)**	**-**
2.1 of specific portfolios	(21,183)	-
a) financial assets at amortized cost	(21,183)	-
b) financial assets at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**(1,535)**	**55,448**

Section 7 - Equity investments - Item 70

7.1 Equity investments: information on shareholders' equity

Denominations	Legal residence	Operating residence	Relationship type	Participation relationship		Vote availability %
				Participating company	Share %	
A. Joint ventures						
B. Companies under significant influence						
Hi-Mtf Sim S.p.A.	Milan	Milan	Significant influence	FinecoBank S.p.A.	20%	20%

In 2021, FinecoBank acquired 20% of Hi-MTF Sim S.p.A., a company under significant influence, which is consolidated using the equity method. 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	Balance value of participations	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) of the fiscal year (1)	Other income components at net value of levies (2)	Total earnings (3) = (1) + (2)
Joint ventures									
Companies under significant influence									
Hi-Mtf Sim S.p.A.	1,294	6,150	938	2,165	(520)		(520)	1	(519)

7.5 Equity investments: annual changes

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
A. Opening balance	**-**	**-**
B. Increases	**1,321**	**-**
B.1 Purchases	1,321	-
- of which business combinations	-	-
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other variations	-	-
C. Decreases	**(26)**	**-**
C.1 Sales	-	-
- of which business combinations	-	-
C.2 Adjustments	-	-
C.3 Depreciations	(26)	-
C.4 Other changes	-	-
D. Closing balance	**1,295**	**-**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

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.

To determine the value in use of the investment in Hi MTF 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, except for Beta for which reference was made to a basket of comparable companies.

For the calculation of fair value, the best evidence is represented by the recent purchase transaction, which involved FinecoBank on one side and four institutional counterparties on the other. In order to confirm this fair value, the Parent Company has in any case developed valuation methods (Mixed

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Equity-Reduction Method and Market Multiples Method) in line with the methods used at the time of the purchase of the equity investment, varying, where appropriate, the main parameters (Ke, Beta, etc.) in order to make them homogeneous with those already used by FinecoBank in other contexts.

The results of the impairment test carried out on the investment in Hi-MTF Sim S.p.A. 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 31 December 2021 resulted in a negative economic impact of € 26 thousand.

The method for determining the recoverable amount described above (model, assumptions and parameters used) was approved by the Board of Directors on 9 February 2022.

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 Hi-MTF SIM S.p.A., preliminary data referring to the accounting date of 31 December 2021 provided by the Company itself were used.

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

No data to report.

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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 12/31/2021	Total 12/31/2020
1. Owned assets	**84,435**	**84,638**
a) lands	23,932	23,932
b) buildings	39,822	41,050
c) office furniture and fittings	3,089	3,092
d) electronic system	15,001	13,846
e) other	2,591	2,718
2. Assets under financial lease	**64,148**	**65,361**
a) lands	-	-
b) buildings	63,830	64,920
c) office furniture and fittings	-	-
d) electronic system	-	-
e) other	318	441
Total	**148,583**	**149,999**
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.

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

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2021				Total 12/31/2020			
	Carrying value	Fair value			Carrying value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owened assets	**1,764**	**-**	**-**	**2,292**	**1,872**	**-**	**-**	**2,367**
a) lands	-	-	-	-	-	-	-	-
b) buildings	1,764	-	-	2,292	1,872	-	-	2,367
2. Assets under financial lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) lands	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**1,764**	**-**	**-**	**2,292**	**1,872**	**-**	**-**	**2,367**
of which: obtained through enforcement of the guarantees received	-	-	-	-	-	-	-	-

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

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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.

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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**	**127,156**	**17,661**	**44,670**	**12,975**	**226,394**
A.1 Total net reduction in value	-	(21,186)	(14,569)	(30,824)	(9,816)	(76,395)
A.2 Net opening balance	**23,932**	**105,970**	**3,092**	**13,846**	**3,159**	**149,999**
B. Increases:	**-**	**12,566**	**1,356**	**6,330**	**731**	**20,983**
B.1 Purchases	-	11,686	1,356	6,329	721	20,092
B.2 Capitalised expenditure on	-	89	-	-	-	89
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	-	791	-	1	10	802
C. Decreases:	**-**	**(14,884)**	**(1,359)**	**(5,175)**	**(981)**	**(22,399)**
C.1 Sales	-	-	-	(1)	-	(1)
C.2 Depreciation	-	(11,910)	(1,355)	(5,171)	(975)	(19,411)
C.3 Impairment losses recognised	-	(2)	(4)	(3)	-	(9)
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	(2)	(4)	(3)	-	(9)
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	-	(2,972)	-	-	(6)	(2,978)
D. Net closing balance	**23,932**	**103,652**	**3,089**	**15,001**	**2,909**	**148,583**
D.1 Total net reduction in value	-	(29,130)	(15,876)	(32,374)	(10,563)	(87,943)
D.2 Gross closing balance	**23,932**	**132,782**	**18,965**	**47,375**	**13,472**	**236,526**
E. Carried at cost	23,932	103,652	3,089	15,001	2,909	148,583

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 activity.

(Amounts in € thousand)

	Land	Buildings	Furniture and fittings	Electronic system	Other	Total
Other increases due to changes in rights of use	-	791	-	-	10	801
Other decreases due to changes in rights of use	-	(2,965)	-	-	(3)	(2,968)

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9.7 Property, plant and equipment held for investment: annual changes

(Amounts in € thousand)

	Total	
	Lands	Buildings
A. Gross opening balance	**-**	**3,600**
A.1 Total net reduction in value	-	(1,728)
A.2 Net opening balance	-	1,872
B. Increase	**-**	**-**
B.1 Purchases	-	-
B.2 Capitalised expenditure on improvements	-	-
B.3 Net increases in fair value	-	-
B.4 Write-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfer from properties used in the business	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**(108)**
C.1 Sales	-	-
C.2 Depreciation	-	(108)
C.3 Decreases in fair value	-	-
C.4 Impairment losses	-	-
C.5 Negative exchange difference	-	-
C.6 Transfers to other asset portfolios	-	-
a) properties used in the business	-	-
b) non-current assets classified as held for sale	-	-
C.7 Other changes	-	-
D. Net closing balance	**-**	**1,764**
D.1 Total net reduction in value	-	(1,836)
D.2 Gross closing balance	-	3,600
E. Fair value measurement	**-**	**2,292**

The buildings specified in the table above are carried at cost.

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 31, 2021 the Bank had contractual commitments to purchase property, plant and equipment amounting to € 1,196 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.

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Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown for assets typology

(Amounts in € thousand)

Activities/Values	Total 12/31/2021		Total 12/31/2020	
	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	**11,625**	**27,459**	**12,138**	**27,459**
of which Software	11,500	-	11,864	-
A.2.1 Assets valued at cost:	11,625	27,459	12,138	27,459
a) intangible assets generated internally	-	-	-	-
b) other assets	11,625	27,459	12,138	27,459
A.2.2 Assets valued at fair value:	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**11,625**	**117,061**	**12,138**	**117,061**

In the table above, the item "of which Software" has been added, as provided for in the 7th update of 29 October 2021 of Circular No. 262 "Banks' financial statements: layouts and preparation", in which software that is not an integral part of hardware according to IAS 38 is shown.

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.

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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**	**-**	**-**	**100,205**	**27,459**	**252,393**
A.1 Total net reduction in value	(35,127)	-	-	(88,067)	-	(123,194)
A.2 Net opening balance	**89,602**	**-**	**-**	**12,138**	**27,459**	**129,199**
B. Increases	**-**	**-**	**-**	**6,176**	**-**	**6,176**
B.1 Purchases	-	-	-	6,176	-	6,176
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	**-**	**-**	**-**	**(6,689)**	**-**	**(6,689)**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	(6,689)	-	(6,689)
- Amortisations	X	-	-	(6,689)	-	(6,689)
- 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**	**-**	**-**	**11,625**	**27,459**	**128,686**
D.1 Total net impairments	(35,127)	-	-	(94,756)	-	(129,883)
E. Gross closing balance	**124,729**	**-**	**-**	**106,381**	**27,459**	**258,569**
F. Carried at cost	89,602	-	-	11,625	27,459	128,686

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 31, 2021 the Group does not held contractual commitments to purchase intangible assets.

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.

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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.

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

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

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

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

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

Definition of CGU

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

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

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

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

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

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

Impairment test model

The calculation of the value in use for the purposes of impairment testing is made using the Discounted Cash Flow (DCF) model. The cash flows are determined by subtracting the annual capital requirement generated by the change in the risk-weighted assets from net profit. This capital requirement is determined by considering the long-term capitalisation to be achieved, also in light of the minimum regulatory capital requirements.

Cash flows

The discounted cash flow model used is based on future cash flows estimated by management in four steps:

- year 2022, in which the budget figures were considered (submitted for approval by the Board of Directors on December 16, 2021);

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- year 2023, which considers the financial forecasts of the Strategic Plan 2020-2023 (submitted for approval by the same Board of Directors on December 16, 2021);
- intermediate period of five years from 2024 to 2028, for which the forecasts of the financial flows are projected by applying beginning in the last explicit estimate period (2023) 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 2010 to 2020 was 2.1% (of which 1.2% 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, 6 or 12 months of the 10-year Btp; in light of the sharp reduction in market rates generated by the COVID-19 pandemic, it was considered correct to use, as an exception to the methodology, a time horizon of 3 years for the calculation of the average (equal to 1.47%), so the cost of capital is not excessively impacted by the reduction in rates that characterized 2020 and 2021;
- 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 3-year average of the Fineco share compared to FTSEMIB and SXXP indices.

The cost of capital in 2023 is calculated considering the average expected return of the 10-year BTP expected in 2023 as risk free (3-year average, equal to 0.97%); the ERP is instead kept the same as that calculated for 2022. The 2023 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 16, 2021. 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 9, 2022, confirmed the sustainability of the goodwill and the brand recognised in the financial statements as at December 31, 2021, with the value in use significantly higher than the carrying amount.

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 12/31/2021 (18.80%)**
Change of value in use	-18.0%	-0.3%	-14.4%	-5.0%	-0.5%

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 over 20 percentage points, i.e. with a reduction of around 70% of annual earnings (while maintaining all the other parameters and information used unchanged, in both scenarios).

It should be noted that the value of "FinecoBank" shares resulted in a market capitalisation of € 9,414 million at December 31, 2021, 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.

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

The item "Tax assets" amounting to € 42,974 thousand at December 31, 2021, it is exclusively made of Deferred tax assets", already net of the set-off against "Deferred tax liabilities" for €2,853 thousand.

The item "Tax liabilities" amounting to € 35,864 thousand at the same date, it is exclusively made of "Current tax liabilities", already net of the set-off against tax advances 2021. There are not "Deferred tax liabilities" as they are offset against "Deferred tax assets" for € 2,853 thousand.

Current Tax Assets and Liabilities

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2021	Total 12/31/2020
Current tax assets	-	5,166
Current tax liabilities	35,864	10,204

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 € 44,779 thousand recognised as a balancing entry in the income statement;
- "Deferred tax assets" of € 1,048 thousand recognised as a balancing entry of shareholders' equity;
- "Deferred tax liabilities" of € 2,148 thousand recognised as a balancing entry in the income statement;
- "Deferred tax liabilities" of € 705 thousand recognised as a balancing entry of shareholders' equity.

In accordance with the law and regulations currently in force:

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

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

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

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

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11.1 Deferred tax assets: breakdown

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2021	Total 12/31/2020
Allocations through profit or loss	**42,007**	**28,024**
- of which Patent Box ex D.L. n.3/2015	8,791	4,395
- of which Provisions for Risks and Charges	19,329	19,736
- of which Realignment of goodwill art. 110 of D.L. n. 104/2020	10,011	-
- of which Other	3,876	3,893
Allocations through equity	**1,048**	**835**
- of which Revaluation reserve application IAS 19	1,048	835
- of which Financial assets at fair value through comprehensive income	-	-
Impairment losses on receivables (of which pursuant to Law 214/2011)	**2,772**	**3,300**
Total before IAS 12 offset	**45,827**	**32,159**
Offset against deferred tax liabilities - IAS 12	(2,853)	(24,010)
Total	**42,974**	**8,149**

11.2 Deferred tax liabilities: breakdown

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2021	Total 12/31/2020
Allocations through profit or loss	**2,148**	**26,078**
- of which Goodwill and Brand	1,938	25,527
- of which Exposures in equity instruments with Voluntary Scheme	151	396
- of which Other	59	155
Allocations through equity	**705**	**1,682**
- of which Revaluation reserve application IAS 19	502	507
- of which Financial assets at fair value through comprehensive income	203	1,175
Total before IAS 12 offset	**2,853**	**27,760**
Offset against deferred tax assets - IAS 12	(2,853)	(24,010)
Total	**-**	**3,750**

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11.3 Changes in deferred tax assets (through profit or loss)

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**31,322**	**50,914**
2. Increases	**18,633**	**7,196**
2.1 Deferred tax assets recognised in the year	18,299	7,149
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) others	18,299	7,149
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	334	47
3. Decreases	**(5,176)**	**(26,788)**
3.1 Deferred tax assets cancelled in the year	(5,176)	(26,788)
a) reversals of temporary differences	(5,176)	(26,788)
b) write-downs of non-recoverable items	-	-
c) changes in accountable policies	-	-
d) others	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	-	-
a) conversion of tax credits as per Law 214/2011	-	-
b) others	-	-
4. Closing balance	**44,779**	**31,322**

The increases in deferred tax assets recognised during the year as a balancing entry in the income statement refer mainly to the realignment of goodwill pursuant to Article 110 of Legislative Decree 104/2020, the tax benefit related to the Patent Box regime pursuant to Legislative Decree no. 3 of 2015 for the year 2020 and provisions for risks and charges. In the item "Other increases", deferred tax assets recorded as a contra-entry to the provision for taxes and duties were allocated as a result of the accounting reclassification of certain costs related to the activities of financial advisors and related to services in item 50. "Fee and Commission expenses" from item 190. "Administrative expenses", therefore this effect was not recognised in item 270 "Income taxes for the year on current operations" of the income statement. The decreases mainly relate to the utilisation of the provision for risks and charges.

11.4 Changes in deferred tax assets under Law 214/2011

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**3,299**	**3,828**
2. Increases	**-**	**-**
3. Decreases	**(527)**	**(529)**
3.1 Reversals	(527)	(529)
3.2 Conversion into tax credits	-	-
a) resulting from operating losses	-	-
b) resulting from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**2,772**	**3,299**

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.

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11.5 Changes in deferred tax liabilities (through profit or loss)

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**26,075**	**25,998**
2. Increases	**902**	**558**
2.1 Deferred tax liabilities arising during the year	902	558
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	902	558
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(24,829)**	**(481)**
3.1 Deferred tax liabilities de-recognised during the year	(24,829)	(480)
a) reversals of temporary differences	(24,829)	(480)
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	(1)
4. Closing balance	**2,148**	**26,075**

The increase in deferred taxes liabilities recognised in the year as a balancing entry in the income statement refers to the recognition of deferred tax liabilities on the amortisation of the trademark and goodwill. The decreases mainly referred to the release to the income statement of pre-existing IRES deferred tax liabilities on goodwill subject to realignment pursuant to Article 110 of Law Decree 104/2020.

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11.6 Changes in deferred tax assets (through equity)

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**835**	**798**
2. Increases	**213**	**233**
2.1 Deferred tax assets recognised in the year	132	233
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	132	233
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	81	-
3. Decreases	**-**	**(196)**
3.1 Deferred tax assets cancelled in the year	-	(196)
a) reversals of temporary differences	-	(196)
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	**1,048**	**835**

The increases in deferred tax assets recognized in the year through equity refer to the recognition of deferred taxes for actuarial losses recognized in shareholders' equity as part of the valuation reserves in application of the provisions of IAS 19 Revised.

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11.7 Changes in deferred tax liabilities (through equity)

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**1,682**	**2,270**
2. Increases	**-**	**427**
2.1 Deferred tax assets recognised in the year	-	427
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	-	427
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(977)**	**(1,015)**
3.1 Deferred tax assets cancelled in the year	(977)	(1,015)
a) reversals of temporary differences	(977)	(1,015)
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	**705**	**1,682**

The decrease in deferred tax liabilities recognised during the year through equity refer to the disposal of debt securities booked in ”Financial assets at fair value through other comprehensive income” item.

11.8 Other information

No information to report.

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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 12/31/2021	Total 12/31/2020
Trade receivables according to IFRS15	5,397	3,603
Tax credits purchased	508,764	-
Current receivables not related with the provision of financial services	1,299	2,359
Improvement and incremental expenses incurred on leasehold assets	5,236	6,361
Definitive items not recognised under other items:	14,593	15,632
- securities and coupons to be settled	1,435	1,135
- other transactions	13,158	14,497
Tax items other than those included in the item "Tax assets":	352,224	258,997
- tax advances	346,953	254,480
- tax credit	5,271	4,486
- tax advances on employee severance indemnities	-	31
Items awaiting settlement	6,480	2,627
Items in processing	5,900	5,600
- POS, bancomat and Visa debit	5,897	5,591
- Others	3	9
Items in transit not allocated to relevant accounts	4	14
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	13,562	34,738
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	79,566	30,696
Total	**993,025**	**360,627**

Tax credits purchased include the carrying amount of tax credits purchased during 2021 under Decree-Law 34/2020. They include both the tax credits acquired following their transfer by the direct beneficiaries and those acquired following their transfer by previous purchasers.

It should be noted that the Tax Credits pursuant to art. 121 of Law Decree 34/2020 purchased by FinecoBank on the secondary market, for a balance sheet amount as at 31 December 2021 of € 328,560 thousand, also include credits that have been subject to preventive seizure, for a balance sheet amount of € 39,132 thousand, by the judicial authorities in execution of a seizure order as part of criminal proceedings involving third parties. Given the Bank's total lack of involvement in the facts under investigation, in these consolidated financial statements the aforementioned receivables have remained recognised as tax receivables (item "Tax credits purchased"), in light of the principle that, where it is found that the taxpayer was not entitled to deduct, the transferee who purchased the tax receivable in good faith does not lose the right to use it (see Revenue Agency, Circulars no. 24/E of 8 August 2020 and no. 30/E of 22 December 2020). In this regard, it should also be noted that: i) since this is a sub-transfer, there was no relationship between FinecoBank and the original beneficiary of the deduction. Therefore, any form of complicity by the former in any breach by the latter of the conditions necessary to obtain the deduction is to be excluded and there is no joint and several liability of the Bank, pursuant to Article 121, paragraph 6, of Decree-Law no. 34/2020; ii) both the clauses and the protections included in the contract of assignment of the receivables in question, and the rules referred to therein (in particular, articles 1260 et seq. of the Italian Civil Code) provide adequate protection for FinecoBank, which can claim rights both in terms of the possible termination of the assignment (with the related restitutionary consequences) and in terms of compensation. Lastly, it should be noted that Article 3 of Decree-Law no. 13 of 25 February 2022, published in the Official Gazette on the same date, provides that, in the event that the tax credits pursuant to Articles 121 and 122 of Decree-Law no. 34 of 2020, converted, with amendments, by Law no. 77 of 2020, cannot be used because they have been seized by the judicial authorities, the time limit for the use of the quotas remaining at the time of the seizure is increased by a period equal to the duration of the seizure.

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Furthermore, it should be noted that as at 31 December 2021, prepayments related to the extraordinary incentive treatment that the Bank grants to financial advisors joining the Network were represented in the item "Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities", while as at 31 December 2020 they were represented in the item "Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities", for an amount of €19,529 thousand. Specific evidence was also provided for debit card transactions to be debited to customers, item "Items in processing - POS, bancomat and Visa debit", represented at 31 December 2020 in the item "Definitive items not recognised under other items - other transactions".

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.

As described above, the opening balances have been changed as from 2021 the prepaid expenses related to the extraordinary incentive treatment that the Bank grants to financial advisors joining the Network have been represented in the item "Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities".

Periodic Change of Accrued Income/Expenses and Prepaid Expenses/Income

(Amounts in € thousand)

	Accrued income and prepaid expenses 12/31/2021	Accrued expenses and prepaid income 12/31/2021
Opening balance	**30,696**	**9,731**
Change in opening balances	19,529	-
Increases	**58,988**	**14,423**
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	58,988	14,423
Decreases	**(29,647)**	**(6,268)**
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)	(1)	-
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	(29,646)	(6,268)
Closing balances	**79,566**	**17,886**

The item "Increases f) other" includes the value as at 31 December 2021 of the accruals that arose in the year 2021. The item "Decreases f) other" includes the reversal to profit and loss, for the portion pertaining to the year 2021, of the accruals existing at 31 December 2020.

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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 12/31/2021	Expected duration of performance >1 year 12/31/2021
Unsatisfied (or Partially Unsatisfied) Performance Obligations - Duration - Other Assets (IFRS 15 Par 120a)	18,542	-
Unsatisfied (or Partially Unsatisfied) Performance Obligations - Duration - Other Liabilities (IFRS 15 Par 120a)	1,311	4,879
Total	**19,853**	**4,879**

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 € 24,732 thousand. 80% 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 12/31/2021				Total 12/31/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**1,034,228**	X	X	X	**949,604**	X	X	X
2. Deposits from banks	**190,985**	X	X	X	**115,255**	X	X	X
2.1 Other current accounts and demand deposits	62,800	X	X	X	43,317	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	42,437	X	X	X	53,422	X	X	X
2.3.1 Repos	42,437	X	X	X	53,422	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	3,910	X	X	X	4,225	X	X	X
2.6 Other liabilities	81,838	X	X	X	14,291	X	X	X
Total	**1,225,213**	**-**	**1,032,069**	**190,985**	**1,064,859**	**-**	**942,640**	**115,255**

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

Item 1. "Deposits from central banks" only includes liquidity received by the central bank as part of TLTRO III operations. In particular, FinecoBank participated in the 6th and 7th tranches of the TLTRO III programme for a total amount of €1,045,000 thousand.

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

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

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

(Amounts in € thousand)

Transactions type/Amounts	Total 12/31/2021				Total 12/31/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	29,518,974	X	X	X	28,033,748	X	X	X
2. Time deposits	1	X	X	X	213	X	X	X
3. Loans	100,301	X	X	X	103,584	X	X	X
3.1 Reverse repos	100,301	X	X	X	103,584	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Liabilities in respect of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease payables	61,425	X	X	X	61,988	X	X	X
6. Other liabilities	167,021	X	X	X	160,206	X	X	X
Total	**29,847,722**	**-**	**-**	**29,847,722**	**28,359,739**	**-**	**213**	**28,359,527**

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 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.

Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

Type of securities/Values	Total 12/31/2021				Total 12/31/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Debts securities including bonds								
1. bonds	497,266	489,712	-	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1,2 other	497,266	489,712	-	-	-	-	-	-
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**497,266**	**489,712**	**-**	**-**	**-**	**-**	**-**	**-**

In October, FinecoBank completed the placement of its first issue on the market of Senior Preferred instruments for a total amount of €500 million and a coupon for the first 5 years of 0.5%.

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 finance 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	**10,542**	**9,234**	**9,026**	**8,401**	**7,111**	**21,021**
- Lease liabilities - Banks	360	383	391	400	409	1,967
- Lease liabilities - Customers	10,182	8,851	8,635	8,001	6,702	19,054

The amount of cash flows for leasing paid during 2021 is equal to € 11,532 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 12/31/2021					Total 12/31/2020				
	NA	Fair Value			Fair Value *	NA	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	589	272	-	-	272	593	467	-	18	485
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)	**589**	**272**	**-**	**-**	**272**	**593**	**467**	**-**	**18**	**485**
B. Derivatives										
1. Financial derivatives	X	2,214	1,931	-	X	X	3,561	1,843	-	X
1.1 Trading derivatives	X	2,214	1,931	-	X	X	3,561	1,843	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credits derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**2,214**	**1,931**	**-**	**X**	**X**	**3,561**	**1,843**	**-**	**X**
Total (A+B)	**X**	**2,486**	**1,931**	**-**	**X**	**X**	**4,028**	**1,843**	**18**	**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 contracts on forex, indices, shares, interest rates and commodities, Knock Out Options and Turbo Certificates issued, as well as derivative contracts regulated or entered into with institutional counterparties used for the operational hedging of the above mentioned derivatives. They amounted to € 2,214 thousand (€ 1,876 thousand as at December 31, 2020).

Sub-item B.1.1 Derivative instruments - Trading financial derivatives includes the negative valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"). They amounted to € 1,931 thousand (€ 3,528 thousand as at December 31, 2020).

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 12/31/2021			NA	Fair value 12/31/2020			NA
	L1	L2	L3	12/31/2021	L1	L2	L3	12/31/2020
A. Financial derivatives	**-**	**57,313**	**-**	**2,638,780**	**-**	**214,388**	**-**	**6,257,777**
1) Fair value	-	57,313	-	2,638,780	-	214,388	-	6,257,777
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**57,313**	**-**	**2,638,780**	**-**	**214,388**	**-**	**6,257,777**

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						Macro	Micro	Macro	
	Debt securities and interest rates	Equities and equity index	Currencies and gold	Credit	Commodity	Others				
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at ammortised cost	36,855	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	20,458	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**36,855**	**-**	**-**	**-**	**-**	**-**	**20,458**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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: breakdown by hedged portfolio

(Amounts in € thousand)

Adjustments to the value of hedged liabilities/Components of the group	Total 12/31/2021	Total 12/31/2020
1. Positive changes to financial liabilities	7,950	17,714
2. Negative changes to financial liabilities	-	-
Total	**7,950**	**17,714**

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.

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Section 8 – Other liabilities - Item 80

8.1 Other liabilities: breakdown

(Amounts in € thousand)

Items/Amounts	Total 12/31/2021	Total 12/31/2020
Payables to Directors and Statutory auditors	337	224
Payables to employees	16,069	14,400
Social security contributions payable	7,818	7,012
Current payables not related to the provision of financial services	32,888	32,889
Payables for share-based payments	35	47
Definitive items not recognised under other items:	51,357	49,338
- securities and coupons to be settled	11,535	11,513
- payment authorisations	27,339	28,777
- other items	12,483	9,048
Tax items other than those included in the item "Tax liabilities":	102,033	48,532
- sums withheld from third parties as withholding agent	54,332	37,519
- other	47,701	11,013
Illiquid items for portfolio transactions	15,407	23,273
Items awaiting settlement:	88,879	83,525
- outgoing bank transfers	88,851	83,522
- POS and ATM cards	28	3
Items in processing:	1,018	662
- incoming bank transfers	986	647
- other items in processing	32	15
Accrued expenses and deferred income other than those related to contracts with customers and other than capitalised on the related financial assets or liabilities	361	160
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	17,886	9,731
Sums available to be paid to customers	8,756	3,991
Total	**342,844**	**273,784**

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 12/31/2021	Total 12/31/2020
A. Opening balance	**4,924**	**4,810**
B. Increases	**163**	**125**
B.1 Provision of the year	32	40
B.2 Other increases	131	85
C. Decreases	**(54)**	**(11)**
C.1 Payments made	(54)	(11)
C.2 Other decreases	-	-
D. Closing balances	**5,033**	**4,924**
Total	**5,033**	**4,924**

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, 2021 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 31, 2006 were kept with the Company, whilst the amounts of employee severance pay provision accruing as of 1 January 2007 were transferred to the supplementary pension funds or the INPS Treasury fund according to the option adopted by the employees (within June 30, 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 1, 2007 and June 30, 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 1, 2007 (or from the date of the option - falling between 1 January 2007 and June 30, 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	**12/31/2021**	**12/31/2020**
Discount rate	1.00%	0.65%
Expected inflation rate	1.80%	0.90%

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(Amounts in € thousand)

Employee severance pay provision: other information	Total 12/31/2021	Total 12/31/2020
Provisions for the year	**32**	**40**
- Current service cost	-	-
- Interest expense on defined benefit obligations	32	40
- Gains and losses on curtailments and settlements	-	-
- Past service cost	-	-
Actuarial gains (losses) recognised in revaluation reserves (OCI)	**131**	**35**
- Actuarial gains (losses) for the year	35	(52)
- Actuarial gains/losses on demographic assumptions	-	-
- Actuarial gains/losses on financial assumptions	96	87

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 € 133 thousand (+2.64%), whereas an equivalent increase in the rate would result in a reduction of the liability of € 128 thousand (-2.54%). A change of -25 basis points in the inflation rate would result in a decrease in the liability of €77 thousand (-1.53%), whereas an equivalent increase in the rate would result in an increase in the liability of € 78 thousand (+1.56%).

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions risk and charges: breakdown

(Amounts in € thousand)

Items/Components	Total 12/31/2021	Total 12/31/2020
1. Provisions for credit risk of commitments and financial guarantees given	52	61
2. Provisions for other commitments and other guarantees given	-	-
3. Provisions for retirement payments and similar obligations	-	-
4. Other provisions for risks and charges	116,704	112,580
4.1 legal and tax disputes	28,288	28,363
4.2 staff expenses	5,918	5,088
4.3 other	82,498	79,129
Total	**116,756**	**112,641**

Item 4.1 “legal and tax disputes” mainly includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties for € 24,552 thousand (€ 24,627 thousand as at December 31, 2020) and provisions for tax disputes (penalties and interest) for € 3,736 thousand (€ 3,736 thousand as at December 31, 2020). 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 € 79,801 thousand (€ 73,136 thousand as at December 31, 2020), the Provision for contractual payments, of € 434 thousand (€ 416 thousand as at December 31, 2020) and other provisions made for risks related to the

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Group's business and operations, of € 2,263 thousand (€ 5,577 thousand as at December 31, 2020), including, in particular, 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	**-**	**-**	**112,580**	**112,580**
B. Increases	**-**	**-**	**18,442**	**18,442**
B.1 Provisions for the year	-	-	16,387	16,387
B.2 Changes due to the passage of time	-	-	415	415
B.3 Changes due to variations in the discount rate	-	-	41	41
B.4 Other increases	-	-	1,599	1,599
C. Decreases	**-**	**-**	**(14,318)**	**(14,318)**
C.1 Amounts used in the year	-	-	(14,278)	(14,278)
C.2 Changes due to variations in the discount rate	-	-	(40)	(40)
C.3 Other decreases	-	-	-	-
D. Closing balance	**-**	**-**	**116,704**	**116,704**

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.

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				
	First stage	Second stage	Third stage	Purchased or originated impaired	Total
Obligation to distribute funds	29	-	-	-	29
Financial warranties release	23	-	-	-	23
Total	**52**	**-**	**-**	**-**	**52**

10.4 Provisions for other commitments and other guarantees given

No data to report.

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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 12/31/2021	Total 12/31/2020
Legal and fiscal disputes	**28,288**	**28,363**
- Pending cases	20,635	20,518
- Complaints	3,917	4,109
- Tax disputes	3,736	3,736
Staff expenses	**5,918**	**5,088**
Others	**82,498**	**79,129**
- Supplementary customer indemnity provision	79,801	73,136
- Provision for contractual payments and payments under non-competition agreements	434	416
- Other provisions	2,263	5,577
Total provisions for risks and charges - other provisions	**116,704**	**112,580**

(Amounts in € thousand)

Provisions for risks and charges	Total 12/31/2020	Uses	Transfers and other changes	Actuarial gains (losses) IAS 19R *	Net provisions**	Total 12/31/2021
Legal and fiscal disputes	**28,363**	**(2,673)**	**-**	**-**	**2,598**	**28,288**
- Pending cases	20,518	(2,508)	572	-	2,053	20,635
- Complaints	4,109	(165)	(572)	-	545	3,917
- Tax disputes	3,736	-	-	-	-	3,736
Staff expenses	**5,088**	**(5,007)**	**-**	**-**	**5,837**	**5,918**
Others	**79,129**	**(6,598)**	**-**	**1,599**	**8,368**	**82,498**
- Supplementary customer indemnity provision	73,136	(1,381)	-	1,584	6,462	79,801
- Provision for contractual payments and payments under non-competition agreements	416	-	-	15	3	434
- Other provisions	5,577	(5,217)	-	-	1,903	2,263
Total provisions for risks and charges - other provisions	**112,580**	**(14,278)**	**-**	**1,599**	**16,803**	**116,704**

* The item " IAS 19R actuarial gains (losses)" includes the actuarial gains (losses) recognised in the item "Revaluation reserves" in application of IAS 19R.
** The item "Net provisions" includes the costs recognised in their own income statement item to better reflect their nature (e.g. "Staff expenses", "Administrative costs" and "Interest expenses and similar charges").

The following table shows the main actuarial assumptions used to measure the liability for the supplementary customer indemnity provision and the provision for contractual payments.

Description of the main actuarial assumptions	12/31/2021	12/31/2020
Discount rate	1.00%	0.65%
Rate salary increase	0.00%	0.00%

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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 € 2,047 thousand (+2.57%); an equivalent increase in the rate, on the other hand, would reduce the liability by € 1,968 thousand (-2.47%). A change of -25 basis points in the salary base would result in a reduction in the liability of € 505 thousand (-0.63%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of € 517 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 €5 thousand (+1.97%); an equivalent increase in the rate, on the other hand, would reduce the liability by € 5 thousand (-1.91%). 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, 2020 an analysis was conducted to assess the impact on the provision is made of a variation of +/- 25 basis points in the discount rate and no significant impacts were found.

The **Provision for legal disputes** includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties. In addition to the costs incurred by the Group in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Group in ongoing disputes. This estimate was determined by the Group in relation to the ongoing litigation, mainly on the basis of the Forensic Tariffs envisaged by current legislation.

The **Supplementary customer indemnity provision** is accrued to cover the amount of severance indemnity to be paid to the PFA network pursuant to art. 1751 of the Italian Civil Code, in the event of termination of the contract for reasons not attributable to the advisor, such as, for example, when reaching retirement age. The amount of the obligation at the end of the period was assessed with the aid of an independent actuary, in accordance with the provisions of IAS 19.

The **Provision for staff expenses** includes provisions made in relation to the variable remuneration to be paid to employees in subsequent years which have an uncertain due date and amount.

The **Provision for contractual payments and payments under non-competition agreements** is related to a limited number of personal financial advisors; these payments are contractually provided. More specifically, the non-competition agreement is an extension of the loyalty obligation at the end of the employment contract which protects the Bank from competition from former personal financial advisors; contractual payments are a special indemnity that the Bank agrees to pay to personal financial advisors, who opted to transfer the rights and obligations arising from their contract with the Bank to third parties, where these advisors continue to keep an ethical and professional conduct with the Bank after termination of employment, with specific regard to the customer portfolio. The amount of the obligation at the end of the period relating to contractual payments was assessed with the aid of an independent actuary.

The **Provision for tax disputes** is allocated to cover tax demands received from the Italian Revenue Agency following tax audits carried out on the Bank over the years, in relation to which the Bank considers it has calculated the tax correctly and legitimately and has therefore submitted an appeal at various levels of proceedings.

The above provisions for risks and charges include the allocations for fines and interest for the additional tax being contested and requested by the Tax Authorities through tax bills or payment notices paid and for the estimated amount of legal expenses to be incurred in the various proceedings.

For more details, see Part E – Information on risks and hedging policies – Section 1.5 – Operational risk – paragraph "Risks arising from tax disputes and audits" of these Notes to the consolidated accounts.

The **Other Provisions** are mainly allocated to cover the risks related to the business and operations of the Group, including, in particular, provisions for training events for financial advisors. At 31 December 2020, Other provisions also included provisions for incentive plans for the personal financial advisors, paid in 2021.

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Section 11 – Technical provisions – Item 110

No data to report.

Section 12 - Redeemable shares - Item 130

No data to report.

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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 31, 2021, share capital came to € 201,267 thousand, comprising 609,899,770 ordinary shares with a par value of € 0.33 each.

As at 31 December 2021, the Group held in the portfolio 122,866 FinecoBank ordinary shares, in order to execute the PFA incentive plans of the Bank, corresponding to 0.02% of the share capital, for an amount of € 1,440 thousand. During 2021 n. 55,000 shares, for an amount of € 820 thousand, were purchased in relation to the “2020 PFA Incentive System” for personal financial advisors identified as “Key personnel” and n. 11,548, n. 5,527, n. 10,306 and n. 24,687 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2016 PFA Incentive System", “2017 PFA Incentive System”, “2018 PFA Incentive System” and “2019 PFA Incentive System” , for an amount of € 570 thousand.

On February 9, 2021, in view of the favourable opinion provided by the Remuneration Committee in its meeting of February 8, 2021, the Board of Directors of FinecoBank approved execution of the following incentive/loyalty systems:

- 2018-2020 Long Term Incentive Plan for the employees. In particular, we approved the allotment of 104,629 free ordinary shares to the beneficiaries of the first tranche of the Plan, assigned in 2018, and consequently an increase in Share capital for a total amount of € 35 thousand with effect from 31 March 2021;
- 2015, 2016, 2017, 2018, 2019 and 2020 Incentive systems for employees. In particular, we approved the allotment of 241,098 free ordinary shares to the beneficiaries of the fourth equity tranche of the 2015 Incentive System, of the third tranche of the 2016 Incentive System, of the second tranche of the 2017 Incentive System, of the first tranche of the 2018 Incentive System, of the second tranche of the severance agreed in 2018 for an executive with strategic responsibilities, awarded in 2019, and of the first tranche of the 2019 Incentive System and, consequently, an increase in Share capital for a total amount of € 80 thousand with effect from 31 March 2021.

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

(Amounts in € thousand)

	Total 12/31/2020	Total 12/31/2020
Share capital	201,267	201,153
Share premium reserve	1,934	1,934
Reserves	650,202	664,489
- Legal reserve	40,253	40,229
- Extraordinary reserve	550,415	571,228
- Treasury shares reserve	1,440	1,189
- Other reserves	58,094	51,843
(Treasury shares)	(1,440)	(1,189)
Revaluation reserves	(5,877)	(2,833)
Equity instruments	500,000	500,000
Net Profit (Loss) for the year	380,711	323,571
Total	**1,725,797**	**1,687,125**

Part B - Consolidated Balance Sheet

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

(Amounts in € thousand

Items/Type	Ordinary	Others
A. Shares outstanding at the beginning of the year	**609,434,109**	**-**
- fully paid	609,554,043	-
- not fully paid	-	-
A.1 treasury shares (-)	(119,934)	-
A.2 Shares outstanding: Opening balance	**609,434,109**	**-**
B. Increases	**397,795**	**-**
B.1 New issues	345,727	-
- against payment:	-	-
- business combination	-	-
- bonds converted	-	-
- warrants exercised	-	-
- others	-	-
- free:	345,727	-
- to employees	327,390	-
- to directors	-	-
- others	18,337	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	52,068	-
C. Decreases	**(55,000)**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(55,000)	-
C.3 Business transferred	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**609,776,904**	**-**
D.1 Treasury shares (+)	122,866	-
D.2 Shares outstanding at the end of the year	609,899,770	-
- fully paid	609,899,770	-
- not fully paid	-	-

The item B.3 “Other changes” reports the shares allocated to the personal financial advisors under the stock granting plans "2016 PFA Plan", “2017 PFA Plan”, “2018 PFA Plan” and “2019 PFA Plan” for FinecoBank’s Personal Financial Advisors and Network Managers.

13.3 Share capital: other information

The shares are not subject to any right, privilege or constraint; there are no shares reserved for issue under option and sales contracts.

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

The reserves from profits consist of the:

- Legal reserve, amounting to € 40,253 thousand;
- Extraordinary reserve, amounting to € 550,414 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;
- Reserve for treasury shares held, amounting to € 1,440 thousand;
- Consolidation reserve, amounting to € 16,055 thousand;
- Reserves of unavailable profits pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 5,646 thousand.

Part B - Consolidated Balance Sheet

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", the Board of Directors of FinecoBank held on February 9, 2021 approved execution of the incentive/loyalty systems with a consequent increase in share capital, against with the reserves from profits have been reduced for an amount of € 114 thousand. The same 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.

It should be noted that taking into account the Recommendations of the European Central Bank ECB/2020/62 of 15 December 2020 and of the Bank of Italy of 18 December 2020, concerning the policies on dividend distributions and share buybacks that credit institutions and banking groups should adopt in the economic context burdened by the COVID-19 emergency, the Board of Directors of FinecoBank, which met on 9 February 2021, had resolved to propose to the Shareholders' Meeting, called for 28 April 2021, the allocation to reserves of the entire profit for the 2020 financial year, amounting to € 323,123 thousand.

The FinecoBank Shareholders' Meeting of April 28, 2021 approved the allocation of profit for the year 2020 of FinecoBank S.p.A. as follows:

- € 24 thousand to the Legal reserve, corresponding to 0.007% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 322,506 thousand to the extraordinary reserve;
- € 593 thousand to the unavailable reserve pursuant to Article 6, paragraph 1, letter a) of Legislative Decree no. 38/2005.

On 23 July 2021, the European Central Bank decided not to extend Recommendation ECB/2020/62 beyond September 2021, inviting banks to adopt prudence in their decisions on dividends and share buybacks, carefully considering the sustainability of their business model and without underestimating the risk that additional losses could later affect the evolution of their capital profile when the support measures adopted come to an end. On 27 July 2021, the Bank of Italy also published a new Recommendation on dividend distribution and variable remuneration policies of banks, which repeals the Recommendation of 16 December 2020, whereby, in line with the decision taken by the European Central Bank communicated that the previous Recommendation on dividends and remuneration policies would remain in force until 30 September 2021 and that the Bank of Italy would return to adopting the criteria for assessing capital and dividend distribution and share repurchase plans by banks as part of the ordinary SREP process.

Without prejudice to the dialogue then underway with the Bank of Italy, taking into account the shareholders' equity resulting from the financial statements for the year ended 31 December 2020, the sustainability of the business model and the regulatory constraints to which FinecoBank is subject, also in its capacity as Parent Company of the FinecoBank Banking Group, the Board of Directors of 3 August 2021 resolved to propose to the Shareholders' Meeting the distribution of a unit dividend of € 0.53 for each of the 609,899,770 shares, to be distributed to the Shareholders holding ordinary shares entitled to payment on the scheduled dividend date, for a total amount of € 323,247 thousand, drawn from available revenue reserves. On 21 October 2021, the Shareholders' Meeting approved the above proposal. The coupon was detached on 22 November 2021 and paid on 24 November 2021.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", during 2021 n. 55,000 shares, for an amount of € 820 thousand, were purchased in relation to the "2020 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 11,548, n. 5,527, n. 10,306 and n. 24,687 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2016 PFA Incentive System", "2017 PFA Incentive System", "2018 PFA Incentive System" and "2019 PFA Incentive System" , for an amount of € 570 thousand. Consequently, the Reserve for treasury shares increased by a total of € 251 thousand, with a simultaneous reduction in the Extraordinary reserve.

In addition, during 2021 the Extraordinary Reserve was used for the payment of the coupon of the Additional Tier 1 issued by the Bank on 31 January 2018, for € 6,989 thousand net of the related taxation, and for the payment of the transaction costs directly attributable to the issue and of the coupon of the Additional Tier 1 issued on 11 July 2019, for an amount of € 12,778 thousand net of the related taxation.

Lastly, it should be noted that the 2021 Stability Law expressly recognised the possibility of also applying the tax realignment provisions of Article 110 of Legislative Decree 104 of 2020 in relation to business assets to goodwill and other intangible assets recorded in the financial statements as at 31 December 2019. In this respect, the Board of Directors, in its meeting of 10 June 2021, resolved to realign the tax values of the goodwill recorded in FinecoBank's financial statements as at 31 December 2019 for a total amount of € 89,025 thousand. As a result of the aforementioned realignment, a restriction on taxability in the event of a distribution was allocated from the Extraordinary Reserve for an amount of € 86,354 thousand, equal to the amount of the realigned goodwill net of the substitute tax paid.

Part B - Consolidated Balance Sheet

13.5 Equity instruments: breakdown and annual changes

Equity instruments includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement[36], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of €300 million. The coupon for the first 5 years has been fixed at 5.875%.

No Equity Instruments were issued during the 2021 financial year.

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.

[36] Unrated and unlisted

Part B - Consolidated Balance Sheet

OTHER INFORMATION

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

1. Commitments and financial guarantees issued

(Amounts in € thousand)

	Nominal value on financial release obligations and guarantees				Total 12/31/2021	Total 12/31/2020
	First stage	Second stage	Third stage	Purchased or originated impaired		
1. Commitment to supply funds	**17,791**	**420**	**11**	**-**	**18,222**	**22,600**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	55	-	-	-	55	-
f) Families	17,736	420	11	-	18,167	22,600
2. Financial guarantees issued	**27,533**	**-**	**-**	**-**	**27,533**	**20,817**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	17,170	-	-	-	17,170	17,170
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-	-
f) Families	10,363	-	-	-	10,363	3,647

The commitments to disburse funds mainly include the commitments to disburse reverse repos.

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 31, 2020). It worth noting that UniCredit S.p.A. has also renewed the request for release for the consolidation of pending charges to the competent office of the Regional Directorate of Liguria and the Bank is awaiting the related response.

Part B - Consolidated Balance Sheet

2. Other commitments and other guarantees given

(Amounts in € thousand)

	Nominal amount Total 12/31/2021	Nominal amount Total 12/31/2020
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	**2,031,840**	**1,718,119**
of which: impaired credit exposures	85	284
a) Central Banks	-	-
b) Governments	-	-
c) Banks	1,349	2,138
d) Other financial companies	21,237	34,098
e) Non-financial companies	613	267
f) Households	2,008,641	1,681,616

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 12/31/2021	Amounts 12/31/2020
1. Financial assets at fair value through profit and loss	2	-
2. Financial assets at fair value through other comprehensive income	-	76,524
3. Financial assets at amortized cost	4,611,751	5,082,729
4. Property, plant and equipment	-	-
of which: Property, plant and equipment material assets that constitute inventories	-	-

Assets given as collateral for own liabilities and commitments shown in the above table refer to:

- debt securities, mainly government bonds, pledged as collateral of repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of said transaction. The bonds are given as collateral for the entire duration of the transaction;
- debt securities, mainly government bonds, pledged as collateral for bankers' drafts, as guarantee for transactions with the Cassa di Compensazione e Garanzia, to guarantee the operation in foreign markets and/or as guarantee for transactions in derivatives. Securities are used as collateral until the Group decides to stop the transactions for which the collateral or guarantees are granted;
- debt securities, mainly securities of supranational issuers, pledged as collateral for the TLTRO III programme. It should be noted that some of the securities pledged as collateral, amounting to € 42,528 thousand, are available as the Bank has drawn down a smaller amount than the credit line granted by the Central Bank;
- debt securities issued by UniCredit S.p.A. given as collateral in securities lending transactions carried out with customers. The securities are given as collateral for the entire duration of the transaction.

In addition to the assets shown in the table above, the Group recognised variation margins, initial margins and guarantee deposits, including the default fund, against transactions in derivative contracts and financial instruments totalling € 257,346 thousand (€ 452,396 thousand at 31 December 2020) in “Financial assets at amortised cost”.

Part B - Consolidated Balance Sheet

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

No data to report.

5. Asset management and trading on behalf of others

(Amounts in € thousand)

Type of service	Total 12/31/2021
1. Execution of orders for customers	**399,705,811**
Securities	**116,394,191**
a) purchases	58,893,916
1. settled	58,555,269
2. unsettled	338,647
b) sales	57,500,275
1. settled	57,156,789
2. unsettled	343,486
Derivative contracts	**283,311,620**
a) purchases	141,641,905
1. settled	141,579,113
2. unsettled	62,792
b) sales	141,669,715
1. settled	141,608,424
2. unsettled	61,291
2. Segregated accounts	**24,806,686**
a) individuals	-
b) collectives	24,806,686
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	16,250,020
1. securities issued by the bank preparing the accounts	4,133
2. other securities	16,245,887
c) third-party securities deposited with third parties	16,250,020
d) own securities deposited with third parties	23,686,554
4. Other transactions	**51,723,348**
Order receipt and transmission	51,723,348
a) purchases	25,701,556
b) sales	26,021,792

Part B - Consolidated Balance Sheet

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 subject to accounting offsetting		Net amounts (f=c-d-e)	Net amount
					Financial instruments (d)	Cash deposit received as guarantee (e)	12/31/2021	12/31/2020
1. Derivatives		509	-	509	-	509	-	358
2. Reverse repos		3,067,815	3,067,815	-	-	-	-	-
3. Securities lending		222	-	222	222	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2021**	**3,068,546**	**3,067,815**	**731**	**222**	**509**	**-**	**X**
Total	**12/31/2020**	**2,172,142**	**2,168,896**	**3,246**	**1,348**	**1,540**	**X**	**358**

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)	12/31/2021	12/31/2020
1. Derivatives		-	-	-	-	-	-	-
2. Reverse repos		3,076,242	3,067,815	8,427	8,427	-	-	-
3. Securities lending		66,892	-	66,892	63,492	-	3,400	1,709
4. Others		-	-	-	-	-	-	-
Total	**12/31/2021**	**3,143,134**	**3,067,815**	**75,319**	**71,919**	**-**	**3,400**	**X**
Total	**12/31/2020**	**2,243,297**	**2,168,896**	**74,401**	**72,692**	**-**	**X**	**1,709**

The amount of assets and liabilities offset in the financial statements refers to the repurchase agreements executed on the MTS market and settled through a Central Counterparty. It should also be noted that, at December 31, 2021 there were swap derivative contracts with a positive fair value of € 126,940 thousand and a negative fair value of € 57,313 thousand, for which a positive variance margin of € 74,991 thousand was received, not shown in the table above as it is cleared at a Central Counterparty since it refers to client-trade exposures. Such exposures were subject to the prudential treatment set out in Article 305 of (EU) Regulation no. 575/2013.

Part B - Consolidated Balance Sheet

8. Securities lending transactions

The Group, in particular the Bank, conducts securities lending transactions on a continuous and systematic basis, with the objective of satisfying the requests of its customers, of institutional counterparties and obtaining a profit. The Bank operates either as a borrower, borrowing securities from its customers, or as a lender, using the borrowed securities for cash-secured securities lending transactions with retail and institutional customers interested in temporary ownership of securities or lending proprietary securities, without collateral or with collateral represented by other securities, to institutional customers interested in temporary ownership.

Against securities lending transactions guaranteed by other securities carried out by the Bank as a borrower with retail customers ("remunerated Portfolio"), the Bank issued as collateral UniCredit S.p.A. bonds, recorded in “Financial asset at amortised cost”, held in a dedicated dossier at the custodian bank for an amount higher than that of the securities borrowed by the customers, with the aim of providing a collective guarantee.

The face value of the underlying securities received on a loan and not recognised as assets in the accounts totalled € 44,232 thousand, for a fair value of € 133,239 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 €1,302,689 thousand.

(Amounts in € thousand)

	Type of securities - Nominal value December 31, 2021		
Securities received on loan from:	**Sold**	**Sold in repos**	**Other purposes**
Banks	-	-	-
Financial companies	-	2	-
Insurance companies	-	-	-
Non-financial companies	-	101	10
Other entities	568	39,259	4,292
Total nominal value	**568**	**39,362**	**4,302**

(Amounts in € thousand)

	Type of securities - Fair value December,31, 2021		
Securities received on loan from:	**Sold**	**Sold in repos**	**Other purposes**
Banks	-	-	-
Financial companies	-	27	-
Insurance companies	-	-	-
Non-financial companies	-	327	18
Other entities	272	118,674	13,921
Total *fair value*	**272**	**119,028**	**13,939**

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 2021	Total 2020
1. Financial assets valued at fair value though profit and loss:	**4**	**-**	**-**	**4**	**3**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatory at fair value	4	-	-	4	3
2. Financial assets at fair value through other comprehensive income	**695**	**-**	**X**	**695**	**1,274**
3. Financial assets at amortised cost:	**192,818**	**75,857**	**X**	**268,675**	**292,624**
3.1 Loans and receivables with banks	59,469	89	X	59,558	99,675
3.2 Loans and receivables with customers	133,349	75,768	X	209,117	192,949
4. Hedging derivatives	**X**	**X**	**(34,309)**	**(34,309)**	**(21,024)**
5. Other assets	**X**	**X**	**2,448**	**2,448**	**436**
6. Financial liabilities	**X**	**X**	**X**	**13,085**	**5,005**
Total	**193,517**	**75,857**	**(31,861)**	**250,598**	**278,318**
of which: income interests on impaired financial assets	-	208	-	208	196
of which: interest income on financial lease	X	-	X	-	-

The comparative figures for the 2020 financial year have been restated in line with the amendment to the balance sheet introduced by the 7th update of 29 October 2021 of Bank of Italy Circular 262, which provides for the recognition of current accounts and demand deposits with banks under item 10. "Cash and cash balances". Interest accrued on these on-demand receivables is recognised in item "5. Other assets", while in the 2020 Financial Statements it was recognised in item "3. Financial assets at amortised cost: 3.1 Loans and receivables with banks" in the amount of € 370 thousand.

The Item 6. "Financial liabilities" also includes the interest accrued on the TLTRO III transaction, for an amount of € 10,376 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 2021	Total 2020
Interest income on foreign currency financial assets	9,261	10,686

Part C - Consolidated Income Statement

1.3 Interest expenses and similar charges: breakdown

(Amounts in € thousand)

Items/Technical forms	Debts	Securities	Other operations	Total 2021	Total 2020
1. Financial liabilities at amortized cost	(1,650)	(614)	X	(2,264)	(7,187)
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(109)	X	X	(109)	(231)
1.3 Deposits from customers	(1,541)	X	X	(1,541)	(6,956)
1.4 Debt securities in issue	X	(614)	X	(614)	-
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	(5,185)	(3,460)
Total	**(1,650)**	**(614)**	**-**	**(7,449)**	**(10,647)**
of which: interest expenses on lease liabilities	(980)	X	X	(980)	(1,063)

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 2021	Total 2020
Interest expense on liabilities denominated in currency	(956)	(3,249)

1.5 Hedging differential

(Amounts in € thousand)

Items	Total 2021	Total 2020
A. Positive hedging differentials	102,958	100,785
B. Negative hedging differentials	(137,267)	(121,809)
C. Balance (A-B)	**(34,309)**	**(21,024)**

Part C - Consolidated Income Statement

Section 2 – Fee and commission income and expense - Items 40 and 50

2.1 Fee and commission income: breakdown

(Amounts in € thousand)

Type of service/Values	Total 2021	Total 2020
a) Financial instruments	158,264	163,342
1. Securities placement	18,273	16,569
1.1 Under firm assumption and/or on the basis of an irrevocable commitment	-	-
1.2 Without firm commitment	18,273	16,569
2. Receipt and transmission of orders and execution for customers	116,522	115,751
2.1 Receipt and transmission of orders for one or more financial instruments	40,666	38,674
2.2 Execution of orders on behalf of customers	75,856	77,077
3. Other fees connected with activities related to financial instruments	23,469	31,022
of which: trading on own account	23,469	31,022
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	76,789	66,305
d) Clearing and settlement	-	-
e) Collective Portfolio Management	238,117	174,709
f) Custody and administration	868	694
1. Custodian bank	-	-
2. Other fees related to custody and administration	868	694
g) Central administrative services for collective portfolio management	-	-
h) Trust business	30	40
i) Payment services	72,598	55,960
1. Current accounts	23,490	13,100
2. Credit cards	27,492	25,459
3. Debit and other payment cards	13,034	9,998
4. Wire transfers and other payment orders	8,582	7,403
5. Other fees related to payment services	-	-
j) Distribution of third party services	312,040	249,329
1. Collective portfolio management	205,057	168,018
2. Insurance products	103,756	79,446
3. Other products	3,227	1,865
of which: individual portfolio management	3,227	1,865
k) Structured Finance	-	-
l) Servicing for securitization transactions	-	-
m) Commitments to disburse funds	-	-
n) Financial guarantees issued	60	38
of which: credit derivatives	-	-
o) Financing operations	431	582
of which: for factoring transactions	-	-
p) Currency trading	-	-
q) Goods	-	-
r) Other commission income	1,780	1,360
of which: for management activities of multilateral trading systems	-	-
of which: for management activities of organized trading systems	-	-
s) Securities lending transactions	10,267	8,144
Total	**871,244**	**720,503**

Part C - Consolidated Income Statement

The information on "Fee and Commission income: breakdown" has been modified following the entry into force of the 7th update of 29 October 2021 of Circular No. 262 "Bank financial statements: layouts and preparation", applicable from the financial statements for the year ended 31 December 2021. For the sake of consistency of comparison, the figures for the 2020 financial year have also been restated.

The amount of fees and commissions recognized in 2020 that was included in the contract liability balance at the beginning of the year is equal to € 1,237 thousand (€ 1,110 thousand in 2020).

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 € 197,196 thousand (€ 162,965 thousand in 2020).

2.2 Fee and commission expenses: breakdown

(Amounts in € thousand)

Services/Amounts	Total 2021	Total 2020
a) Financial instruments	(9,749)	(10,212)
of which: trading of financial instruments	(9,749)	(10,212)
of which: placement of financial instruments	-	-
of which: management of individual portfolios	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	(6,366)	(5,235)
c) Management of collective portfolios	(31,717)	(25,607)
1. Own	-	-
2. Delegated to third parties	(31,717)	(25,607)
d) Custody and administration	(4,428)	(3,868)
e) Payment and collection services	(19,863)	(18,546)
of which: credit cards, debit cards and other payment cards	(13,362)	(12,521)
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	(346,706)	(247,951)
j) Currency trading	-	-
k) Other commission expenses	(120)	(103)
l) securities lending transactions	(1,593)	(1,630)
Total	**(420,542)**	**(313,152)**

The information on "Fee and Commission expenses: breakdown" has been modified, as provided for by the 7th update of Circular No. 262 "Bank financial statements: layouts and preparation", applicable starting from the financial statements for the year ending 31 December 2021. For the sake of consistency of comparison, the figures for the 2020 financial year have also been restated.

Item “i) Off-site offering of financial instruments, products and services”, includes costs incurred in relation to Equity Settled and Cash Settled plans assigned to personal financial advisors, that are respectively recorded against the item 150. “Reserves” of the net equity for an amount of € 1,076 thousand (€ 683 thousand in 2020).

Part C - Consolidated Income Statement

Section 3 – Dividend income and similar revenue – Item 70

3.1 Dividend income and similar revenue: breakdown

(Amounts in € thousand)

Items/Income	Total 2021		Total 2020	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	153	-	56	-
B. Other financial assets mandatorily at fair value	46	-	52	-
C. Financial assets at fair value through other comprehensive income	-	-	-	-
D. Equity investments	-	-	-	-
Total	**199**	**-**	**108**	**-**

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Section 4 – Gains (losses) on financial assets and liabilities held for trading – Item 80

4.1 Gains (losses) on financial assets and liabilities held for trading: breakdown

As at December 31, 2021

(Amounts in € thousand)

Transactions/Income items	Unrealised gain (A)	Realized gains (B)	Unrealized losses (C)	Realized losses (D)	Net profit (loss) [(A+B) = (C+D)]
	0	0	0	0	
1. Financial assets held for trading	**266**	**176,770**	**(328)**	**(163,138)**	**13,570**
1.1 Debt securities	-	3,810	-	(3,359)	451
1.2 Equity instruments	266	171,739	(328)	(158,642)	13,035
1.3 UCITS units	-	1,221	-	(1,137)	84
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**636**	**(5)**	**(751)**	**(120)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	-	636	(5)	(751)	(120)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**24,599**
4. Derivatives	**8,767**	**169,878**	**(8,704)**	**(140,816)**	**33,594**
4.1 Financial derivatives:	8,767	169,878	(8,704)	(140,816)	33,594
- On debt securities and interest rates	51	717	(49)	(405)	314
- On equity securities and share indices	8,585	146,641	(8,577)	(123,081)	23,568
- On currency and gold	**X**	**X**	**X**	**X**	4,469
- Others	131	22,520	(78)	(17,330)	5,243
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	**X**	**X**	**X**	**X**	-
Total	**9,033**	**347,284**	**(9,037)**	**(304,705)**	**71,643**

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As at December 31, 2020

(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)]
	0	0	0	0	
1. Financial assets held for trading	**202**	**243,766**	**(179)**	**(224,836)**	**18,953**
1.1 Debt securities	-	6,608	-	(5,589)	1,019
1.2 Equity instruments	202	234,041	(179)	(216,360)	17,704
1.3 UCITS units	-	3,117	-	(2,887)	230
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**1**	**1,749**	**(22)**	**(2,524)**	**(796)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	1	1,749	(22)	(2,524)	(796)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**24,644**
4. Derivatives	**7,193**	**215,271**	**(8,078)**	**(174,954)**	**44,877**
4.1 Financial derivatives:	7,193	215,271	(8,078)	(174,954)	44,877
- On debt securities and interest rates	29	1,284	(34)	(1,207)	72
- On equity securities and share indices	7,108	189,526	(7,985)	(156,002)	32,647
- On currency and gold	X	X	X	X	5,445
- Others	56	24,461	(59)	(17,745)	6,713
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	**7,396**	**460,786**	**(8,279)**	**(402,314)**	**87,678**

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 2021	Total 2020
A. Gains on:		
A.1 Fair value hedging instruments	274,703	5,431
A.2 Hedged asset items (in fair value hedge relationship)	-	138,636
A.3 Hedged liability items (in fair value hedge relationship)	9,764	268
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**284,467**	**144,335**
B. Losses on:		
B.1 Fair value hedging instruments	(9,793)	(139,688)
B.2 Financial assets items (in fair value hedge relationship)	(272,169)	(1,023)
B.3 Hedged liability items (in fair value hedge relationship)	-	(3,883)
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(281,962)**	**(144,594)**
C. Fair value adjustments in hedge accounting (A-B)	**2,505**	**(259)**
of which: net profit (loss) on net position	-	-

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Section 6 – Gains (Losses) on disposals/repurchases – Item 100

6.1 Gains (Losses) on disposals/repurchases: breakdown

(Amounts in € thousand)

Items/Income items	Total 2021			Total 2020		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
Financial assets						
1. Financial assets at amortized cost	29,429	(186)	29,243	7,418	(183)	7,235
1.1 Loans and receivables with banks	9,264	-	9,264	218	-	218
1.2 Loans and receivables with customers	20,165	(186)	19,979	7,200	(183)	7,017
2. Financial assets at fair value through other comprehensive income	2,898	-	2,898	1,770	-	1,770
2.1 Debt securities	2,898	-	2,898	1,770	-	1,770
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**32,327**	**(186)**	**32,141**	**9,188**	**(183)**	**9,005**
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 the gains (losses) on disposals/repurchases of financial assets at amortised cost booked in the item 100. “Gains (losses) on disposals/repurchases of: a) financial assets at amortised cost", took place in accordance with IFRS 9 and in application of the rules defined for the HTC business model.

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Section 7 – Gains (losses) on financial assets and liabilities measured at fair value through profit and loss – Item 110

7.1 Gain (losses) on financial assets and liabilities measured at fair value through profit and loss: breakdown of financial assets and liabilities designated at fair value

No data to report.

7.2 Gain (losses) on financial assets and liabilities measured at fair value through profit and loss: breakdown of other financial assets mandatorily at fair value

As at December 31, 2021

(Amounts in € thousand)

Transactions/Income items	Unrealized gain (A)	Realized gain (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (loss) (A+B)-(C+D)
1. Financial assets	**1**	**99**	**(774)**	**(1)**	**(675)**
1.1 Debt securities	-	-	(4)	(1)	(5)
1.2 Equity securities	1	90	(768)	-	(677)
1.3 UCITS units	-	9	(2)	-	7
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**636**
Total	**1**	**99**	**(774)**	**(1)**	**(39)**

As at December 31, 2020

(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	**4,786**	**92**	**(4,901)**	**(2)**	**(25)**
1.1 Debt securities	-	9	(2)	-	7
1.2 Equity securities	4,786	6	(4,850)	(1)	(59)
1.3 UCITS units	-	77	(49)	(1)	27
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**(733)**
Total	**4,786**	**92**	**(4,901)**	**(2)**	**(758)**

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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 2021	Total 2020
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-off	Others	Write-off	Others						
A. Loans and receivables with banks	**(28)**	**-**	**-**	**-**	**-**	**-**	**158**		**-**	**-**	**130**	**(5)**
- Loans	(20)	-	-	-	-	-	87	-	-	-	67	84
- Debt securities	(8)	-	-	-	-	-	71	-	-	-	63	(89)
B. Loans and receivables with customers	**(5,215)**	**(777)**	**(82)**	**(3,340)**	**-**	**-**	**6,363**	**661**	**1,666**	**-**	**(724)**	**(9,564)**
- Loans	(3,728)	(777)	(82)	(3,340)	-	-	3,869	661	1,666	-	(1,731)	(3,412)
- Debt securities	(1,487)	-	-	-	-	-	2,494	-	-	-	1,007	(6,152)
Total	**(5,243)**	**(777)**	**(82)**	**(3,340)**	**-**	**-**	**6,521**	**661**	**1,666**	**-**	**(594)**	**(9,569)**

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".

8.1a Net impairment for credit risk related to loans and advances at amortized cost subject to measures applied in response to the COVID-19: breakdown

(Amounts in € thousand)

Operation / P&L item	Net Adjustments						Total 2021	Total 2020
	First stage	Second stage	Third stage		Purchased or originated impaired			
			Write-off	Others	Write-off	Others		
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	(1)	-	-	-	-	-	**(1)**	**(54)**
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	(1)	-	-	-	-	-	**(1)**	**-**
3. Other loans and advances subject to COVID-19-related forbearance measures	-	(10)	-	-	-	-	**(10)**	**(29)**
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	**-**	**-**
Total	**(2)**	**(10)**	**-**	**-**	**-**	**-**	**(12)**	**(83)**

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8.2 Net impairment losses related to: financial assets measured at fair value with an impact on overall profitability

(Amounts in € thousand)

Transactions/Income	Adjustments (1)						Write - backs (2)				Total 2021	Total 2020
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
			Write-off	Others	Write-off	Other						
A. Debt Securities	-	-	-	-	-	-	8	-	-	-	8	(15)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- To clients	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**-**	**-**	**-**	**8**	**(15)**

8.2.a Net impairment for credit risk related to loans and advances at fair value with an impact on overall profitability subject to measures applied in response to the COVID-19: breakdown

No information to report

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Section 9 – Profit/loss from contract changes without cancellation – Item 140

9.1 Profit (loss) from contract changes: breakdown

(Amounts in € thousand)

Items/Income items	Total 2021			Total 2020		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
1. Financial assets valued at amortized cost	2	(2)	-	26	(3)	23
1.1 Receivables from banks	-	-	-	-	-	-
1.2 Receivables from customers	2	(2)	-	26	(3)	23
2. Financial assets valued at fair value with an impact on total profitability	-	-	-	-	-	-
Total	**2**	**(2)**	**-**	**26**	**(3)**	**23**

Section 10 – Net premiums – Item 160

No data to report.

Section 11 – Balance of other net operating income and charges from insurance management – Item 170

No data to report.

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Section 12 – Administrative expenses – Item 190

12.1 Staff expenses: breakdown

(Amounts in € thousand)

Type of expenses/Sectors	Total 2021	Total 2020
1) Employees	(107,495)	(97,557)
a) wages and salaries	(73,451)	(66,653)
b) social security contributions	(17,850)	(17,085)
c) pension costs	(748)	(916)
d) severance pay	-	-
e) allocation to employee severance pay provision	(60)	(65)
f) provision for retirements and similar provisions:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(5,169)	(4,263)
- defined contribution	(5,169)	(4,263)
- defined benefit	-	-
h) costs related to share-based payments	(4,703)	(3,817)
i) other employee benefits	(5,527)	(4,794)
j) recovery of expenses for employees seconded	13	36
2) Other staffs	(9)	(189)
3) Directors and statutory auditors	(2,096)	(1,800)
4) Early retirement costs	-	-
Total	**(109,600)**	**(99,546)**

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 150. “Reserves” of the net equity for an amount of € 4,703 thousand (€ 3,817 thousand as at December 31, 2021).

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12.2 Average number of employees by category

	Data as at	
	2021	2020
Employees	**1,238**	**1,249**
(a) executives	37	29
(b) managers	427	396
(c) remaining employees	774	824
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 2021	Total 2020
Leaving incentives	127	58
Medical plan	(1,692)	(1,642)
Luncheon vouchers	(191)	(501)
Other	(3,771)	(2,709)
Total	**(5,527)**	**(4,794)**

The item "Other" mainly includes the cash component of benefits relating to employee incentive plans, amounting to € 2,159 thousand relating to FinecoBank and € 527 thousand relating to Fineco Asset Management.

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12.5 Other administrative expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2021	Total 2020
1) INDIRECT TAXES AND DUTIES	**(145,162)**	**(117,044)**
2) MISCELLANEOUS COSTS AND EXPENSES		
A) Advertising expenses - Marketing and communication	**(20,898)**	**(22,896)**
Mass media communications	(17,686)	(20,268)
Marketing and promotions	(2,749)	(2,203)
Sponsorships	(456)	(360)
Conventions and internal communications	(7)	(65)
B) Expenses related to credit risk	**(1,549)**	**(1,442)**
Credit recovery expenses	(240)	(181)
Commercial information and company searches	(1,309)	(1,261)
C) Expenses related to personnel and to personal financial advisors	**(2,455)**	**(20,392)**
Personnel training	-	-
Other staff expenses	(245)	(579)
Personal financial advisor expenses	(2,015)	(19,510)
Travel expenses	(140)	(248)
Premises rentals for personnel	(55)	(55)
D) ICT expenses	**(51,275)**	**(46,108)**
Lease of ICT equipment and software	(3,121)	(3,131)
Software expenses: lease and maintenance	(12,294)	(11,244)
ICT communication systems	(7,359)	(8,359)
Consultancy and ICT services provided by third parties	(14,113)	(10,068)
Financial information providers	(14,388)	(13,306)
E) Consultancies and professional services	**(5,164)**	**(4,381)**
Consultancies and professional services on ordinary activities	(3,881)	(3,219)
Consultancies and professional services for one-off regulatory compliance projects	(40)	(67)
Consultancies and professional services for strategy, business development and organisational optimisation	(551)	(676)
Legal expenses	(461)	(256)
Legal disputes	(231)	(163)
F) Real estate expenses	**(4,722)**	**(4,440)**
Real estate services	-	(85)
Repair and maintenance of furniture, machinery, and equipment	(404)	(132)
Maintenance of premises	(921)	(524)
Premises rentals	(937)	(962)
Cleaning of premises	(326)	(861)
Utilities	(2,134)	(1,876)
G) Other functioning costs	**(29,127)**	**(36,201)**
Surveillance and security services	(280)	(199)
Postage and transport of documents	(3,460)	(3,319)
Administrative and logistic services	(17,179)	(16,450)
Insurance	(3,992)	(3,622)
Printing and stationery	(577)	(721)
Association dues and fees	(2,323)	(10,367)
Other administrative expenses	(1,316)	(1,523)
H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(40,039)**	**(26,805)**
Total	**(300,391)**	**(279,709)**

Item "H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)" shows the costs recorded in the year 2021 for the ordinary, additional and supplementary contribution paid to the Deposit Guarantee Schemes (DGS), in the total amount of €32,334 thousand (€25,901 thousand in the year 2020), the ordinary contribution paid to the Single Resolution Fund, amounting to €5,812 thousand (€687 thousand in the year 2020) and the additional contribution paid to the National Resolution Fund, amounting to €1,893 thousand (€217 thousand in the year 2020). For further details, see Part A - Accounting policies of these notes to the consolidated 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.

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(Amounts in € thousand)

Type of expense/Amounts	Total 2021
Expenses relating to short-term leases ("Short term lease")	(110)
Expenses relating to leases of low-value assets ("Low value assets")	(7)
Expenses relating to variable lease payments not included in the measurement of lease liabilities	-
Total	**(117)**

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
	First and second stage	Third stage	First and second stage	Third stage	2021	2020
1. Commitments	(26)	-	48	-	22	(35)
2. Financial guarantees given	(18)	-	5	-	(13)	(4)
Total	**(44)**	**-**	**53**	**-**	**9**	**(39)**

13.2 Net provisions for risks and charges relating to other commitments and other guarantees given: breakdown

No data to report.

13.3 Net provisions to other provisions for risks and charges: breakdown

(Amounts in € thousand)

Items/Income items	Total 2021			Total 2020		
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
Legal and fiscal disputes	(5,118)	2,521	(2,597)	(5,167)	3,704	(1,463)
Supplementary customer indemnity provision	(6,462)	-	(6,462)	(5,858)	-	(5,858)
Other provisions for risks and charges	(877)	37	(840)	(1,017)	1,067	50
Total	**(12,457)**	**2,558**	**(9,899)**	**(12,042)**	**4,771**	**(7,271)**

The item “Provisions” also include changes due to the passing of time and changes in the discount rate.

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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 1/0/1900 (a)	Write-downs 1/0/1900 (b)	Write-backs 1/0/1900 (c)	Net profit (loss) 2021 (a + b - c)	Net profit (loss) 2020 (a + b - c)
A. Property, plant and equipment	(19,520)	(9)	-	(19,529)	(19,683)
1 Owned	(19,412)	(9)	-	(19,421)	(19,575)
- Used in the business	(8,548)	(7)	-	(8,555)	(8,350)
- Held for investment	(10,864)	(2)	-	(10,866)	(11,225)
2 Held under finance lease	(108)	-	-	(108)	(108)
- Used in the business	(108)	-	-	(108)	(108)
- Held for investment	-	-	-	-	-
3 Inventories	X	-	-	-	-
B. Assets held for sale	X	-	-	-	-
Total	**(19,520)**	**(9)**	**-**	**(19,529)**	**(19,683)**

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	Depreciation (a)	Write-downs (b)	Write-backs (c)	Net profit (loss) 2021 (a + b - c)	Net profit (loss) 2020 (a + b - c)
A. Intangible assets	(6,689)	-	-	(6,689)	(5,757)
of which: software	(6,541)	-	-	(6,541)	(5,562)
A.1 Owned	(6,689)	-	-	(6,689)	(5,757)
- Generated internally by the company	-	-	-	-	-
- Others	(6,689)	-	-	(6,689)	(5,757)
A.2 Right of use held under finance lease	-	-	-	-	-
B. Assets held for sale	X	-	-	-	-
Total	**(6,689)**	**-**	**-**	**(6,689)**	**(5,757)**

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 2021	Total 2020
Refunds and allowances	(1,688)	(255)
Penalties, fines and unfavourable rulings	(1,033)	(363)
Improvements and incremental expenses incurred on leasehold properties	(2,194)	(2,209)
Exceptional write-downs of assets	(30)	(60)
Other operating expenses	(503)	(496)
Total	**(5,448)**	**(3,383)**

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16.2 Other operating income: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2021	Total 2020
Recovery of expenses:	139,471	110,512
- recovery of ancillary expenses - other	43	69
- recovery of taxes	139,428	110,443
Rental income from properties	730	786
Other income from current year	6,060	3,954
Total	**146,261**	**115,252**

The amount of other operating income recognized in 2021 and included in the balance at the beginning of the year of liabilities arising from contracts with customers is equal to € 48 thousand (€ 80 thousand in 2020).

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 € 4,846 thousand (€ 1,633 thousand in 2020), and public grants for the year amounting to € 83 thousand.

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.

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Section 17 – Profit (loss) of associates – Item 250

17.1 Profit (Loss) of associates: breakdown

(Amounts in € thousand)

Income/Value	Total 2021	Total 2020
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	(26)	-
1. Write-down	(26)	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit	**(26)**	**-**
Total	**(26)**	**-**

Section 18 – Gains (losses) on tangible and intangible assets measured at fair value – Item 260

No data to report.

Section 19 – Impairment of goodwill – Item 270

No data to report.

Part C - Consolidated Income Statement

Section 20 – Gains (losses) on disposal of investments – Item 280

20.1 Gains (losses) on disposal of investments

(Amounts in € thousand)

Items income/Sectors	Total 2021	Total 2020
A. Properties	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	1	(6)
- Gains on disposal	1	1
- Losses on disposal	-	(7)
Net profit (loss)	**1**	**(6)**

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 2021	Total 2020
1. Current tax (-)	(150,741)	(117,805)
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 (+/-)	13,121	(19,638)
5. Changes in deferred tax liabilities (+/-)	23,928	(80)
6. Tax expense for the year (-) (-1+/-2+3+ 3 bis +/-4+/-5)	(113,692)	(137,523)

Part C - Consolidated Income Statement

21.2 Reconciliation of theoretical tax charge to actual tax charge

(Amounts in € thousand)

	Total 2021
Profit before tax	494,403

(Amounts in € thousand)

Items income/Sectors	Taxes			
	IRES Italian Tax	IRAP Italian Tax	Taxes Overseas	Total 2021
Amount corresponding to theoretical tax rate	**(129,721)**	**(26,274)**	**(10,584)**	**(166,579)**
- Tax effects of charges not relevant to the calculation of taxable income	(2,515)	(2,648)	-	(5,163)
- Tax effects of income not relevant to the calculation of taxable income	55,381	5,340	-	60,721
- Tax effects deriving from the use of tax losses from previous years	-	-	-	-
- Tax effects deriving from the application of substitute taxes	(2,671)	-	-	(2,671)
Amount corresponding to actual tax rate	**(79,526)**	**(23,582)**	**(10,584)**	**(113,692)**

The "Tax effects of income not relevant to the calculation of the taxable income" included the effect deriving from the realignment of goodwill carried out on the basis of Article 110 of Legislative Decree 104/2020. The aforementioned provision resulted in the release to the income statement of pre-existing IRES deferred tax liabilities for €24,481 thousand and the recognition of IRES deferred tax assets for €8,495 thousand and IRAP for €1,721 thousand.

The income tax substitute tax of 3% of the realigned value was reported in the IRES column for €2,671 thousand, but the payment of this tax resulted in the realignment of goodwill also for IRAP purposes.

Section 22 – Profit (Loss) after tax from discontinued operations – Item 320

No data to report.

Section 23 – Minority interests – Item 340

No data to report.

Part C - Consolidated Income Statement

Section 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 Deloitte & Touche 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	Deloitte & Touche S.p.A.	210,923
Accounting Audit	Deloitte Ireland LLP	15,000
Certification services	Deloitte & Touche S.p.A.	258,000
Certification services	Deloitte Ireland LLP	22,500
Other Services	Deloitte & Touche S.p.A.	10,000
Total		**516,423**

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 22 February 2019 and also kept the indications provided by the in-depth document issued by Assonime on May 6, 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 2021 FinecoBank did not receive public contributions from Italian entities.

For more information, please refer to the National State Aid Register "Transparency" section.

Part C - Consolidated Income Statement

Section 25 - Earnings per share

25.1 Average number of diluted ordinary shares

Basic earnings per share are calculated by dividing the net profit by the average number of ordinary shares outstanding during the year.

	2021	2020
Net profit for the year (€ thousands)	380,711	323,571
Average number of outstanding shares	609,692,634	608,966,126
Average number of outstanding shares (including potential ordinary shares with dilution effect)	611,147,018	610,216,041
Basic earnings per share	0.624	0.531
Diluted Earnings Per Share	0.623	0.530

25.2 Other information

No data to report.

Part D - Consolidated comprehensive income

Analytical Statement of consolidated comprehensive income

(Amounts in € thousand)

Items		Total 2021	Total 2020
10.	**Net Profit (Loss) for the year**	**380,711**	**323,571**
	Other comprehensive income after tax without reclassification through profit or loss	**(1,076)**	**(3,054)**
20.	Equity instruments designated at fair value through other comprehensive income:	-	-
	a) fair value changes	-	-
	b) transfer to other items of shareholders' equity	-	-
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):	-	-
	a) fair value changes	-	-
	b) transfer to other items of shareholders' equity	-	-
40.	Hedge accounting of equity instruments designated at fair value through other comprehensive income:	-	-
	a) fair value changes (hedge item)	-	-
	b) fair value changes (hedge instrument)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(1,730)	(4,523)
80	Non-current assets classified as held for sale	-	-
90.	Revaluation reserve from investments accounted for using the equity method	-	-
100.	Tax for the year related to other comprehensive income without reclassification through profit or loss	654	1,469
	Other comprehensive income after tax with reclassification through profit or loss	**(1,968)**	**(781)**
110.	Hedges of foreign investments:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
120.	Exchange differences:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non-designated items):	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (different from equity instruments) at fair value through other comprehensive income:	(2,941)	(1,166)
	a) fair value changes	(419)	1,884
	b) reclassification through profit or loss	(2,522)	(3,050)
	- adjustments for credit risk	(8)	-
	- gains/losses on disposals	(2,514)	(3,050)
	c) other changes	-	-
160.	Non-current assets classified as held for sale:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
170.	Revaluation reserve from investments accounted for using the equity method:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	- due to impairment	-	-
	- gains/losses on disposals	-	-
	c) other changes	-	-
180.	Tax for the year related to other comprehensive income with reclassification through profit or loss	973	385
190.	**Total other comprehensive income**	**(3,044)**	**(3,835)**
200.	**Comprehensive income (item 10+190)**	**377,667**	**319,736**
210.	Consolidated comprehensive income attributable to minorities	-	-
220.	**Consolidated comprehensive income attributable to Parent Company**	**377,667**	**319,736**

Part E - Information on Risks and relating hedging policies

Introduction

In order to ensure efficient and effective management of risks, the risk management process is structured consistently with the supervisory provisions for Banks pertaining to the internal control framework.

Risk oversight and control is performed by the Group's Chief Risk Officer Department (CRO), which, as the risk management function, is independent from risk taking units, and is responsible for credit risk, market risk, operational risk and reputational risk.

The Parent Company is responsible for first and second-level monitoring, especially for verifying that individual risk taking is consistent with the guidelines set by the Board of Directors, capital, and prudential supervisory rules.

Organisational framework

The Group's internal control system of the Group provides for the involvement of the following control bodies and functions, each for their respective area of competence:

- the Board of Directors;
- the Chief Executive Officer and General Manager;
- the Board of Statutory Auditors;
- the Risk and Related Parties Committee;
- the Remuneration Committee;
- the Appointments Committee;
- the Corporate Governance and Environmental and Social Sustainability Committee;
- the Supervisory Body set up pursuant to Legislative Decree 231/01;
- the corporate control functions (CRO, Compliance, Internal Audit) as well as other company functions with specific internal control tasks.

Corporate bodies and control functions collaborate and coordinate with each other through both specific information flows formalized in internal regulations, and the establishment of managerial committees dedicated to control issues.

The Board of Directors of the Parent Company is tasked with setting strategies and guidelines for the organizational framework, overseeing and monitoring their timely execution within the assigned risk profiles. The Board of Directors is also responsible for establishing and approving risk acknowledgment and evaluation techniques as well as risk management strategic direction and policies. Eventually, the Board of Directors verifies that the internal control framework is consistent with the established risk appetite and approves risk management policies.

The Chief Executive Officer and General Manager has been assigned specific powers by the Board of Directors in all the Group's business areas. These powers shall be exercised in accordance with applicable regulations and within the internal limits established by the strategies, the guidelines, the thresholds, the risk taking procedures and the operational instructions disciplined by the applicable information notices. The Chief Executive Officer and General Manager puts in place the necessary measures to ensure the establishment and maintenance of an efficient and effective internal control system.

As far as risk management is concerned, the Board of Statutory Auditors is responsible for overseeing the completeness, adequacy, functionality and reliability of the Internal Control System and the Risk Appetite Framework. In addition, the Board of Statutory Auditors has been assigned the tasks and responsibilities of the internal control committee and accounting review, pursuant to art. 19 of Legislative Decree No. 39/2010 (as amended by Legislative Decree 135/2016).

The Risks and Related Parties Committee is made up of five non-executive and independent Directors, and has the task of supporting, with an adequate preliminary investigations, the assessments and decisions of the Board of Directors concerning risks and the Internal Control and Risk System, as well as those relating to the approval of periodic financial reports.

The Remuneration Committee is composed of three non-executive and independent Directors and has the task of supporting, with adequate preliminary activities, the assessments and decisions of the Board of Directors in the following main activities: in defining the general remuneration policy for the Chief Executive Officer, the General Manager, the other Executives with strategic responsibilities and the other identified Staff. The Remuneration Committee is also involved in examining stock or monetary incentive plans for employees and the personal financial advisors of the Group and in strategic development policies of human resources.

The Appointments Committee is composed by three non-executive and independent Directors and has the task of supporting the Board of Directors in the process of appointing and co-opting of Directors, the Chief Executive Officer, the General Manager and other members of the top management having strategic responsibilities.

The Corporate Governance and Environmental and Social Sustainability Committee is composed of three non-executive and independent Directors and has the task of supporting the Board of Directors in the following main activities: in defining FinecoBank Corporate Governance Framework, the corporate structure and the Group's corporate governance models and guidelines. Eventually, the committee is involved in every sustainability issue relevant to the FinecoBank business model and interaction dynamics with stakeholders.

Part E - Information on Risks and relating hedging policies

For more information about the roles of the aforementioned Committees please refer to the corporate governance report.

The Compliance function is in charge of the management of the risk of non-compliance, i.e. the risk of incurring judicial or administrative sanctions, significant financial losses or reputation damages resulting in violations of mandatory rules or self-regulation.

The internal validation function, placed within the Chief Risk Officer Department, is in charge of validating the internal models developed by the competent Group's functions, and it is fully independent from them.

Starting from January 1, 2021, in application of the organizational change approved by the Board of Directors on October 13, 2020, the new Chief Lending Officer (CLO) Department was established. The new Department, reporting directly to the Chief Executive Officer and General Manager, is responsible for all activities relating to the credit process, previously carried out by the CRO Department.

The CRO Department, as the risk management function, oversees the proper performance of the Group's risk framework by defining the appropriate methodologies for identifying and measuring the overall current and future risks. Such activity is carried out according to regulatory provisions, following the management decisions envisaged in the Group's Risk Appetite (RAF) and the principles and policies defined by the CRO, through a monitoring activity and ensuring compliance with the established limits.

The CRO, with the support of the CLO and the CFO, each one for their area of responsibilities, is responsible for proposing the Group Risk Appetite Framework and setting risk management strategies and policies, in line with the Bank's strategies and objectives, coordinating and monitoring their implementation by competent units also pertaining to different company areas.

The CRO Department, in the context of second-level controls, is responsible for the management and control of credit, market, operational / reputational risks including ICT risk, interest rate risk, liquidity and sustainability risk in collaboration with the CFO, the CLO and the CIO for their respective areas of competence. As far as communication to Corporate Bodies is concerned (Chief Executive Officer and General Manager, Board of Directors, Risks Committee and Related Parties), the CRO provides a quarterly disclosure on the activity carried out, as well as on the results emerging from the controls performed. The disclosure also incorporate suggestions on the necessary action to address any identified weaknesses, in order to ensure informed management decisions and risk mitigation.

In particular, the Parent Company CRO Department:

- is involved in the definition of the RAF, risk governance policies and the various phases that make up the risk management process, as well as in setting operating limits for the assumption of various risk types. In this context, it has, inter alia, the task of proposing quantitative and qualitative parameters necessary for the definition of the RAF, which also refer to stress scenarios and, in the event of changes to the Group's internal and external operational environment, the adjustment of parameters thereof;
- verifies the adequacy of the RAF;
- continuously checks the adequacy of risk management processes and operating limits;
- develops and maintains risk control models;
- ensures the effective implementation of the IT risk assessment methodology, supporting and coordinating the individual functions involved during the ICT risk assessment process, each for their competence area;
- defines common operational risk assessment metrics consistent with the RAF, coordinating with the compliance function, the ICT function and the business continuity function;
- defines methods of assessment and control of risks arising from environmental, social and governance factors (ESG), as well as reputational risks, coordinating with the compliance function, the sustainability function and any other function which may be involved;
- assists corporate bodies in assessing strategic risk by monitoring significant variables;
- develops and applies indicators highlighting irregularities and shortfall in the risk measurement and control framework;
- evaluates the risks arising from new products and services. In particular, the identification of risks relating to new products and services is guaranteed by the permanent participation of the CRO in the products committee;
- carries out second-level controls aimed at verifying the correct performance of the credit process at both individual and portfolio level;
- continuously monitors the actual risk assumed by the Group and its consistency with risk objectives as well as compliance with the limits assigned to operating units in relation to the assumption of the various types of risk.

The function carries out monitoring and reporting activities to the corporate bodies (Chief Executive Officer and General Manager, Board of Directors and Board of Statutory Auditors) and to the Risk and Related Parties Committee. Disclosure is provided to the corporate bodies through the Quarterly Report on the Group's risk exposures.

Lastly, the participation by the Chief Risk Officer and the Head of the Compliance function in the Products Committee ensures the oversight of the operational risk associated with new business activities, as well as creating and spreading a risk culture in among the Group's functional areas.

Part E - Information on Risks and relating hedging policies

Risk Appetite

The Group gives great importance to risk management and control, as conditions for guaranteeing a reliable and sustainable growth in a controlled risk environment. The risk management strategy aims at a complete and coherent vision of risks, considering both the macroeconomic scenario and the Group's risk profile, stimulating the spreading of the risk culture and strengthening a transparent and accurate representation of risks embedded in the Group's portfolios. Risk-taking strategies are summarized in the Group's Risk Appetite Framework (RAF) are subsequently approved by the Board of Directors. The RAF is defined to ensure that the risk-taking activities remain in line with shareholders' expectations, taking into account the Group's risk position and the global economic situation.

The main objectives of the risk appetite are:

- explicitly assess the risks, and their interconnections at local and Group level, that the Group is willing to assume (or avoid) in a long-term perspective;
- specifying the types of risk that the Group is willing to assume, as required by legislation, the so-called Risk Appetites, Risk Tolerances and Risk Capacities under both normal operating and stressed operating conditions;
- ensure a risk-return profile "ex-ante" consistent with sustainable long-term growth, as defined by the return forecasts of the strategic plan/budget;
- ensure that the business develops within the risk tolerance limits established by the Board of Directors, in accordance with the applicable national and international regulations;
- include social and environmental sustainability principles (ESG) in the Group's strategy, business choices and operational management
- support discussions on future strategic choices concerning the risk profile;
- guide the vision of internal and external stakeholders towards a risk profile consistent with the strategic plan;
- provide qualitative descriptions for risks that are difficult to quantify (e.g. strategic, reputational, compliance) to strategically guide the review of processes and the internal control system.

The Risk Appetite is defined consistently with the Group's business model; for this reason, the Risk Appetite is incorporated in the budget and multi year plan process.

The Risk Appetite includes a Statement and a set of KPIs. The Statement sets out the Group's strategic positioning and the associated risk profile, while KPIs are designed to quantitatively measure the Group's performance in the following categories:

- Pillar 1 KPI: regulatory requirements, to include the KPIs required by the Supervisory Authority (e.g., capital and liquidity requirements such as LCR and NSFR);
- Managerial KPI: to ensure alignment with the budget in terms of return on capital and credit quality;
- Specific Risk KPI: to ensure control of all major risks (such as Pillar 2 capital adequacy, market risk, interest rate risk and operating risk).

For each of the above mentioned categories, one or more KPIs are identified at a consolidated level. KPI are meant to quantitatively measure the Group's performances under several respects: absolute values, ratio between comparable measures and sensitivity analysis on defined parameters.

The Risk Appetite represent the amount of risk (overall and by type) that the Group is willing to take in pursuit of its strategic objectives. The Risk Tolerance set the maximum deviation from the Risk Appetite; Tolerance thresholds are set in order to ensure sufficient margins for the Group to operate, even under stress conditions, within the allowed maximum risk taking.

The Risk Capacity stand for the maximum level of risk that the Group is technically able to assume without violating regulatory requirements or other constraints imposed by shareholders or supervisory Authorities.

Thresholds setting is evaluated on a case-by-case basis, also through managerial decisions taken by the Board of Directors, in compliance regulatory and supervisory requirements.

Metrics are the subject to a regular monitoring and reporting, at least quarterly. Monitoring activities are carried out by the CRO Department and the CFO Department according to their competence area.

The definition of the Risk Appetite Framework is a structured process led by the Chief Risk Officer and the Chief Financial Officer, which develops in accordance with the ICAAP, ILAAP and Recovery Plan processes and represents the risk framework within which the Budget and the strategic plan are developed. Integration between the processes thereof ensure consistency between the risk-taking strategy and policy and the Planning and Budgeting process.

As far as the RAF annual update process is concerned, the main phases are reported below:

- identification of risks; this phase is shared and preparatory to the capital and liquidity adequacy assessment processes (ICAAP/ILAAP). The activity imply the identification by the Parent Company's Risk Management of all the risks - both quantitative and qualitative - to which the Group is or could be exposed, having regard to its operations and reference markets. The risk identification process also include the Legal Entity Fineco Asset Management, whose evaluations are included in the Group consolidated Risk Map;
- definition and approval of the Risk Appetite by the Group Board of Directors;
- quarterly monitoring and reporting of Risk Appetite indicators.

Part E - Information on Risks and relating hedging policies

In line with the principle of gradual integration of the principles of environmental and social sustainability (ESG) set out in the Risk Appetite Statement, and in accordance with the most recent indications issued by the regulators on the subject, the Risk Appetite Dashboard integrates some risk / performance indicators. Such indicators are aimed at monitoring, respectively, the objective of the ESG investments in the Banking Book and the concentration of real estate guarantees in areas with high seismic / hydrogeological risk (to specifically protect against climate and environmental risk). Furthermore, during 2021, the RAF has been updated in order to introduce some new elements on conduct risk and transparency.

Impacts of the crisis unfolded by COVID-19 pandemic on RAF indicators

The monitoring of Risk Appetite Framework indicators has not recorded any breach directly related to the coronavirus health emergency in the threshold limits established by the Board of Directors.

ICAAP - Internal Capital Adequacy Assessment Process

The assessment of the Group's overall risk profile is carried out annually within the ICAAP process, which represents the capital adequacy self-assessment process, whose outcomes are subject to discussion and analysis by the Supervisory Authority.

The ICAAP process includes two complementary perspectives: the regulatory perspective, and the economic perspective. Such perspectives complement each other and they are embedded in business activities and relevant decisions.

With the regulatory perspective, the Group manage capital adequacy, fully ensuring at all times compliance with regulatory requirements and capital related regulatory measures, as well as other internal and external capital constraint. The goal is to guarantee, also in a forward-looking view, own funds are always sufficient to cover the Overall Capital Requirements and Pillar 2 Guidance. With the internal economic perspective, the Group manage capital economic adequacy, ensuring economic risks be sufficiently covered by internal capital resources. The economic perspective takes into account a wider risk perimeter 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.

Impacts of the crisis unfolded by COVID-19 pandemic on the ICAAP process

The effects of the COVID-19 pandemic on the Group's exposures, profitability and capital adequacy were represented in the ICAAP 2020 Report, as of December 31, 2020 and approved by the Board of Directors on May 11, 2021. This representation was carried out through stress test exercises, which consider among the macroeconomic assumptions the persistence of the COVID 19 health emergency, depressive shocks on industrial production and demand for goods and services in many sectors as well as the erosion of medium / long-term growth forecasts. Both the solidity and profitability of the Group were little affected by stress test exercises.

No negative impact arising from COVID-19 pandemic has been detected so far, thanks to the diversified business model, the conservative origination policies, which has always characterized the Bank, and the nature of the offered credit products, assisted whenever possible by funded credit protection.

Following the further requests made by the Bank of Italy on 14 April 2021 to the banking system, the report was integrated with templates which show the main results of the current and future assessment of the Group's capital adequacy.

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 Group Companies aimed at sharing information on risk profiles and on development plans, to improve their evolution and risk management;
- realization of regular induction activities with the Board of Directors deeper risk investigation with the Risks and Related Parties Committee;
- a specific training is provided to employees, aimed at developing and standardize risk knowledge and understanding (e.g. related to operational and reputational risks).

Section 1 – Consolidated financial statements risks

This section provides information referring to FinecoBank and Fineco AM, companies included in the consolidated financial statements risks.

As far as Fineco AM is concerned, risk management and control are ensured by the Risk Management function of the company, entrusted to the Chief Risk Officer, hierarchically dependent on the CEO and functionally dependent on the CRO of FinecoBank S.p.A.. FinecoBank's internal control system is structured according to the regulatory indications provided by the current legislation. Control, monitoring and reporting methodologies already in place in FinecoBank have been extended to Fineco AM adjusting, where necessary, the methods of analysis and controls adapting them to the size, nature and complexity of the business.

Specifically, there are two main risk management activities carried out: the traditional activity of controlling the adherence of the risk/return profile of each fund (Fund Risk Management) and the activity of overseeing operational risks (Operational Risk Management); however provided for in Irish legislation.

Quantitative information

A. Credit quality

As provided for in the 7th update of 29 October 2021 of Circular No. 262 "The banks' Financial Statements: layouts and preparations", on-demand loans to banks and central banks, which are recognised in the balance sheet item "Cash and cash balances", are included in the definition of cash credit exposures but are conventionally excluded from the quantitative credit quality disclosure tables in this Section 1 "Consolidated financial statements risks".

A.1 Impaired and unimpaired exposure: amounts, impairment, changes, distribution by business activity

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

(Amounts in € thousand)

Portfolio/quality		Bad exposures	Unlikely to pay	Past due impaired exposures	Past due unimpaired exposures	Other unimpaired exposures	Total
1. Financial assets at amortised cost		2,141	1,179	1,061	22,303	30,869,275	30,895,959
2. Financial assets at fair value through other comprehensive income		-	-	-	-	39,012	39,012
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily at fair value		-	-	-	-	74	74
5. Financial instruments classified as held for sale		-	-	-	-	-	-
Total	**12/31/2021**	**2,141**	**1,179**	**1,061**	**22,303**	**30,908,361**	**30,935,045**
Total	**12/31/2020**	**2,025**	**1,065**	**441**	**16,089**	**28,963,595**	**28,983,215**

It should be noted that the comparative information as at 31 December 2020 has been restated following the entry into force of the 7th update of Circular No. 262 "The banks' financial statements: layouts and presentations" mentioned above. In particular, in the 2020 Financial Statements, "Financial assets at amortised cost - Other unimpaired exposures" included on-demand loans to banks, now recognised in the balance sheet item "Cash and cash balances", for an amount of €254,051 thousand.

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	24,541	(20,160)	4,381	-	30,909,930	(18,352)	30,891,578	30,895,959
2. Financial assets at fair value through other comprehensive income	-	-	-	-	39,018	(6)	39,012	39,012
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	74	74
5. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-
Total 12/31/2021	**24,541**	**(20,160)**	**4,381**	**-**	**30,948,948**	**(18,358)**	**30,930,664**	**30,935,045**
Total 12/31/2020	**25,489**	**(21,957)**	**3,532**	**-**	**28,999,721**	**(20,087)**	**28,979,684**	**28,983,215**

It should be noted that the comparative information as at 31 December 2020 has been restated following the entry into force of the 7th update of Circular No. 262 "The banks' financial statements: layouts and presentations" mentioned above. In particular, in the 2020 Financial Statements, "Financial assets at amortised cost - Unimpaired" included on-demand loans to banks, now recognised in the balance sheet item "Cash and cash balances", for a gross exposure of €254,066 thousand, total adjustments of €15 thousand and net exposure of €254,051 thousand.

(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	5,436
2. Hedging derivatives	-	-	127,448
Total 12/31/2021	**-**	**7**	**132,884**
Total 12/31/2020	**-**	**3**	**26,055**

Part E - Information on Risks and relating hedging policies

B. Disclosure on structured entities (other than securitization companies)
B.1 Consolidated structured entities

No data to report.

B.2 Non-consolidated structured entities

B.2.1 Consolidated structured entities for supervisory purposes

No data to report

B.2.2 Other structured entities

Qualitative information

The Group has exposures towards unconsolidated structured entities as a result of investments in units issued by investment funds (UCITS) that qualify as structured entities according to IFRS 12.

Quantitative information

The table below shows the assets, liabilities and off-balance sheet exposure to structured entities represented by unconsolidated UCITS units.

(Amounts in € thousand)

Balance sheet items/type of structured entity	Accounting portfolios of assets	Total assets (a)	Accounting portfolios of liabilities	Total liabilities (b)	Net carrying amount (c=a-b)	Maximum exposure to loss (d)	Difference between exposure to the risk of loss and the carrying amount (e=d-c)
1. Vehicle company	-	-	-	-	-	-	-
2. U.C.I.T.S.	MFV	116		-	116	116	-
	AC	29,653	AC	23,012	6,641	29,653	23,012
	HFT	-		-	-	-	-
Total		**29,769**		**23,012**	**6,757**	**29,769**	**23,012**

Key
MFV = Financial assets mandatorily at fair value AC = Financial assets at amortised cost HFT = Assets Held for trading

Part E - Information on Risks and relating hedging policies

Section 2 – Risk of the prudential consolidated perimeter
1.1 Credit risk

Qualitative information

1. General Matters

The Group's objective is to provide an adequate range of products able to satisfy and secure customer loyalty, through a competitive and complete offer. The products offered and under development are consistent with the objective of preserving the portfolio quality and with profitability monitoring processes as well.

Factors generating credit risk are acknowledged according to a specific acceptance and creditworthiness 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 the Bank's liquidity are governed by a prudential approach aimed at containing credit risk. Such approach mainly involve the subscription of Eurozone government bonds to diversify the exposure in bond instruments issued by UniCredit S.p.A. which will be hold until their maturity. In order to optimize its portfolio by diversifying counterparty risk, during 2021 the Group has also increased its exposure to Italian government bonds (for more details, see the Information on Sovereign Exposures).

Impacts arising from COVID-19 pandemic

As at December 31, 2021 there are no sign of deterioration in the Group's loans receivable with ordinary customers portfolio. This one indeed is composed by retail loans granted with conservative and careful origination policies, and mostly assisted by real estate or financial collateral. In the case of mortgage loans, the average Loan to Value is indeed equal to 51%, whereas relevant overdraft facilities requires the funding of financial collateral, using conservative margins.

In response to COVID-19 pandemic and the adoption of supporting measures by EU member states, the main international and European regulators and standard setter (IASB, EBA, ECB, European Commission, etc.) provided guidance on the prudential treatment of credit exposure. According to such guidance, the application of supporting measures in the form of legislative and non-legislative moratoria, complying with a set of requirements established by EBA, did not automatically triggered the forbearance prudential classification until March 2021, as they had preventive nature and generic scope (they were not specifically designed for each client). The supporting measures granted after March 2021 have been evaluated and classified accordingly to the current prudential framework.

During 2021, FinecoBank has adopted a prudential approach and has considered the evidences related to financial situation of clients applied for supporting measures, increased the provision related to these exposures.

For the asset quality quantitative disclosure on moratorias accorded by FinecoBank to its clients, reference is made to the reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis, required by EBA/GL/2020/07. Such disclosure is sent to Regulators on a regular basis, and it has been integrated in Pillar III disclosure as at December 31, 2021.

In consideration of the limited impacts described above, the Group did not deem it necessary to change either its credit strategies or its credit risk management, measurement and control policy.

2. Credit Risk Management Policy
2.1 Organisational aspects
In order to ensure an adequate credit risk supervision, the FinecoBank Group has adopted an effective internal governance framework, organized on distinct and articulated levels of responsibility.

At the first level, the credit process relating to trade receivables and the process of granting and allocating credit limits (plafond) for institutional counterparties is a responsibility of the Chief Lending Officer (CLO). In this context, the CLO Department carries out both the creditworthiness assessment of clients and counterparties with which the Group carries out credit business and the performance monitoring of individual credit exposures, in order to promptly detect any irregularities and carry out the necessary prudential classifications.

In addition the performance monitoring, the CLO Department also calculates customer default rates by type of product, aimed at intercepting increases in the riskiness of the products offered by the Group to its customers, and at estimating the risk parameters (PD and LGD) used to calculate expected credit losses under IFRS 9.

At the second line of defence, the direction and control of credit and counterparty risk are a responsibility of the Chief Risk Officer. Within the CRO Department, the Credit Risk & Internal Capital Team is responsible for:

- monitoring trade receivables through second-level controls focusing more generally on the overall quality of the Bank's loan portfolio, promptly detecting any irregularities;
- supporting the CLO Department in the development and maintenance of the scoring models used by the Bank for the creditworthiness assessment of its retail customers;
- verifying, through second-level controls, the correct execution of the performance monitoring on individual exposures, assessing the consistency of prudential classifications and the adequacy of provisions;
- monitoring, through second-level controls, the degree of concentration towards individual issuers of securities funded as collateral, and real estate guarantees in areas with high climatic and environmental risk;
- analyzing the risk level of 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.

In March 2021, the Group has updated the 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 counterparties, banks and sovereign, the report highlights the results of issuer risk, counterparty risk and country risk monitoring. With reference to the latter, in 2021 some new indicators (Worldwide Governance Indicator), developed by a team of researchers in collaboration with the World Bank were introduced with the aim of summarizing the effectiveness of the policies implemented by the governmental authorities of different nations. To complement the latter, it was also introduced a specific environmental risk indicator, called ND-Gain, developed by a team of researchers from the US University of Notre Dame. 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.

Impacts arising from COVID-19 pandemic

Following the EBA's failure to renew its guidelines on payment moratoria, all payment holidays activated between 1 April 2021 and 31 December 2021 were classified on a case-by-case basis, according to the prudential framework currently in force. In any case, all active moratoriums are subject to a careful assessment in order to promptly identify any signs of credit deterioration. Such assessment, which is carried out also through early warning indicators and the support of external databases (Central Credit Register, CRIF,...), has not highlighted any critical elements at portfolio level so far.

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, LGD and EAD estimated in conservatively manner, to which specific adjustments have been made in order to ensure full cohesion with the accounting standard. In this regard, forward-looking information has also been included with the elaboration of specific scenarios.

The expected loss is calculated for institutional counterparties, leveraging on 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, the risk management function make use of a proxy. This one consist of splitting up clients by product type and record any transition to non-performing through a transition matrix, then calculate an average decay rate that will work as PD. The approach described is based on the assumption that, when there are no changes in individual counterparties creditworthiness criteria, the past registered credit quality will be consistent with the future credit quality. However, in order comply with IFRS 9 requirements, parameters resulting from this proxy shall be corrected using forward looking information.

A key aspect of the new accounting model required to calculate expected credit losses is the Stage Allocation model, whose purpose is to transfer exposures between Stage 1 and Stage 2 (as Stage 3 is equivalent to that of impaired exposures), where Stage 1 mainly includes newly originated exposures and those which have not suffered a significant increase in credit risk compared to the initial recognition.

The Stage Allocation assessment model always apply at transaction level, and it is based on a combination of relative and absolute elements: The main elements are:

- the comparison between the counterparty's rating at the reference date and that recorded at the date of origination / first recognition. The methodology provides that the position goes to stage 2 when a certain threshold is exceeded, set in terms of notches from the rating detected at the date of first recognition;
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);
- other internal findings (forborne classification).

With reference to the institutional counterparties with which the Group carries out credit business, starting from January 2021 the Group has replaced the approach based on the comparison between the PD resulting from the internal UniCredit models at origination and the one recorded at reporting date with a new approach. This one is based on the comparison between the rating at the reference date and the one recorded at first recognition described above. The method, which makes use of the external rating assigned by the Moody's agency, is also applied to financial instruments purchased by the Group for investment purposes, in order to replace the previous approach based on the low risk exemption. The latter approach, expressly envisaged by the accounting standard, allows for an exemption to the transition to stage 2 for securities that at the reporting date are low risk (investment grade) and provides for the allocation in stage 2 for all financial instruments classified as non-investment grade at the reference date, regardless of the riskiness of the instrument at the purchase date.

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 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, 2021.

Forward-looking information used in calculating write-downs

The expected credit loss deriving from the parameters described in the forgoing paragraph considers macroeconomic forecasts through the application of multiple scenarios to the forward looking components.

Specifically, the forward looking component is determined by three macroeconomic scenarios, a basic scenario ("Baseline"), a positive scenario and an adverse scenario. The basic scenario is the main reference one, as it is the one considered most likely; the positive and adverse scenarios stand for alternative events, respectively better and worse.

Changes applied for COVID-19 pandemic

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 COVID-19 pandemic, the FinecoBank Group uses a series of macroeconomic scenarios developed by the external supplier Moody's Analytics. As expressly recommended by the European Central Bank, these scenarios use a series of macroeconomic variables consistent with the macroeconomic forecasts released by the latter. For further details, please refer to the appropriate paragraph "Measurement of expected credit losses".

Assessment of the Significant Increase in Credit Risk (SICR)

Consistently with the clarification provided by regulators, until March 31, 2021, payment moratoria compliant with EBA requirements have been kept as stage 1 of the staging allocation process, except in case other factors had determined a significant increase in credit risk. As a way of example, it is worth mentioning the detection of a past due longer than 30 days on credit facilities other than those suspended, or the finding of negative credit worthiness information arising from external data sources.

Following the EBA's failure to renew its guidelines on legislative and non-legislative moratoriums, all the moratoriums granted from 1 April 2021 to 31 December 2021, have been assessed and classified on a case-by-case scenario, according to the usual prudential and accounting framework. To that end, it has been considered crucial the assessment over the debtor's economic difficulty, which has been determined in relation to its income/asset situation.

Measurement of Expected Credit Losses

As at December 31, 2021, for the calculation of Expected Credit losses on performing exposures, the Group has used risk parameters (PD and LGD) adjusted with macroeconomic scenarios provided by the new external supplier Moody's Analytics. Such scenarios are consistent with ECB macroeconomic forecasts and incorporate forward-looking information taking into account the pandemic crisis.

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 consistent with European Central Bank macroeconomic forecasts, and the one more likely to come true, whereas the positive and adverse scenario are weighted 30% each, and they stand for alternative outcomes, respectively better and worse.

The baseline scenario used for the ECL calculation as of December 31, 2021, consider a substantial recovery of economic activities throughout the euro area, with an estimated growth of the EU Gross Domestic Product (GDP) of 4.71%. The high growth rate is due both to the dynamics that occurred during the year, including the massive vaccination of the population and the containment of the virus to levels that allow an almost normal course of economic activity, and to the deep economic recession recorded in 2020 (-6.55%).

In Italy, a country where the Group holds almost all exposures to retail customers, growth forecasts for 2021 of the Gross Domestic Product are estimated at 5.91%; with the positive trend of the vaccination campaign, the lower political uncertainty and the recovery funds made available by the European Union, it is estimated that the Italian Gross Domestic Product will return to pre-pandemic levels by mid-2022. Despite the positive outlook, the combination of higher public spending and reduced tax revenue is expected to increase in the debt / GDP ratio at around 153.06%, threatening the long-term sustainability of public finances. The unemployment rate is also expected to rise at 10.14% in 2021, and then gradually returning to pre-crisis values.

Other macroeconomic parameters, such as the 10 years government yields, are also considered in macroeconomic scenarios, depending on the credit facility and the type of counterparty involved.

The favorable scenario used for the calculation of the ECL at 31 December 2021 assumes an easing of the crisis caused by the COVID-19 pandemic thanks to the implementation of safety protocols and a greater share of the vaccinated population. In Italy, the recovery of economic activity, faster than expected, translates into a forecast of growth of the Gross Domestic Product of 6.44% in 2021, to then decrease to 5.58% in 2022. The Debt / GDP ratio expected for the end of 2021 is equal to 152.10%. Finally, the unemployment rate is estimated to rise to 10.11%, and then gradually returns to pre-crisis values.

The adverse scenario used to calculate the ECL at 31 December 2021, on the other hand, assumes an aggravation of the crisis caused by the spread of new variants of the virus resistant to vaccines, with further restrictions on movement, closures of commercial activities and cuts in consumption by the population. The forecasts in this scenario translate into still high levels of growth in 2021, equal to 5.51%, with a sharp turnaround in 2022 (-0.63%) which determines an increase in the debt / GDP ratio to 162, 29% (153.91% in 2021). Finally, the Italian unemployment rate is estimated to increase slightly in 2021 to 10.30%, and then continue to grow to 12.37% in 2023.

As of December 31, 2021, assuming to apply only the positive scenario on the overall Bank's exposures we would record recoveries for around € 1.8 million, whereas assuming to apply only the adverse scenario, the estimated provisions would be equal to € 6.5 million. Considering all the scenarios mentioned above the Group's estimated provisions are equal to € 0.6 million.

As far as provisions on FinecoBank's retail customers are involved, no relevant impacts have been detected so far, in terms of both origination flows and credit quality.

2.4 Credit risk mitigation techniques

In order to mitigate the risk in the different forms of credit granting, the Group acquires several types of collateral. For mortgage loans, the Group mainly acquires residential properties as collateral through mortgages, while various types of securities are accepted as pledges on overdraft facilities, including shares, bonds, investment funds, insurance and government securities.

Even when there is a collateral, the Group carries out an overall credit risk assessment, mainly focusing on the customer's earning capacity regardless of the ancillary guarantee provided. The valuation of the pledged guarantees is based on the real value, understood as the market value for securities listed on a regulated market. Percentage haircuts (margins) are applied to the value thus determined, differentiated according to the securities used as collateral and the concentration of the instrument in the customer's portfolio provided as collateral.

For real estate guarantees, the principles and rules are described in the "Normativa erogazione crediti commerciali" policy. In particular, the Group grants its customers loans for a maximum amount equal to 80% of the value of the mortgaged assets. The ratio between the amount of the loan granted and the value of the real estate property, certified as described above, is called Loan To Value (LTV), and is calculated on the entire property covered by the guarantee. Depending on the purpose of the loan (purchase, subrogation, refinancing and liquidity), more stringent LTV limits may be required. At 31 December 2021, the average LTV of the mortgage portfolio was approximately 50%.

The real estate evaluation is carried out by external technicians included in the Register of Engineers, Architects, Surveyors or industrial experts and is therefore not subject to conflicts of interest. The value of the real estate properties is monitored on an annual basis through market revaluation indices, estimated by an external supplier specialized in real estate market valuations. This activity is aimed at identifying any properties that need revaluation and may also be carried out more frequently if market conditions are subject to significant changes.

For financial collateral, on the other hand, the principles and rules are described in the "Collateral Management" policy. The evaluation of securities takes place by taking into consideration several parameters, including the issue rating, the liquidity class, the capitalization and the inclusion in a recognized index. Such parameters, depending on the type of instrument being valued, may affect not only the eligibility of the instrument itself, but also the margin considered in order to determine the amount of the loan.

The monitoring of the financial collateral value is carried out on a daily basis by automatic procedures that perform the Mark to Market of each individual security booked in the collateral deposits, and compare the resulting value with the amount entrusted during the origination phase. In the event of losses exceeding the threshold value, the resolution methods are assessed on a case-by-case basis in agreement with the customer.

Part E - Information on Risks and relating hedging policies

3. Impaired credit exposures
3.1 Management strategies and policies
Loans prudential classification as past due, unlikely to pay or bad exposure is carried out consistently with the criteria set forth by the Bank of Italy. The classification as bad exposure, linked to the customer's insolvency, shall always be individually assessed and defined according to the outcome recovery actions. Loss provisioning estimate shall also be individual for positions classified as past due and unlikely to pay.

As far as overdraft are concerned, the classification criterion is related to the outcome of recovery actions or the forced sale of securities to cover debts.

Reclassification of exposures to a better risk category shall only be authorised if the overdue amount has been paid in full, consistently with the original payment schedule. Alternatively, the exposure may be classified to a better risk category where considerable payments have been made, leading to believe that the debt exposure is very likely to be repaid.

Handling procedure for overdue performing loans involves specific credit recovery actions, according to the amount of overdue days.

3.2 Write-off
The Group records a write-off by reducing the gross exposure of a financial asset whenever there are no reasonable expectations of recovering all or part of that asset.

As a result, the Group shall recognise a write-off in the following cases:

- there is no longer any reasonable expectation of recovering all or part of the asset despite the presence of the legal rights to recover the accrued capital and interest;
- waiver of the legal right to recover the principal and any accrued interest;
- termination of the legal right to recover capital and interest due to the conclusion of the recovery attempts.

3.3 Purchased or originated impaired financial assets
The Group's current business model and company policies approved by the Board of Directors do not expect any purchase of impaired loans or origination of new credit facilities in any form (personal loans, mortgages, current account credit facilities, etc.) to already non-performing customers.

4. Commercial renegotiations and forbearance measures

Renegotiations of financial instruments determining a change in the contractual terms are recognized, as described above, according to the materiality of variations in the contractual terms. The evaluation of the materiality of changes shall be carried out considering both qualitative and quantitative terms, in particular whenever liabilities are concerned. For more details reference is made to the paragraph "Renegotiations" on part A – Accounting policies of the Notes to the consolidated financial

As of December 31, 2021, no relevant increase in forbearance measures have been detected. As already highlighted in the section "Impact arising from COVID-19 pandemic", reported in the general aspects of credit risks, most of the supporting measures granted during the pandemic crisis comply with the EBA guidelines on legislative and non-legislative moratoria, therefore did no triggered the forborne classification.

The supporting measures granted to the clients after March 2021 have been evaluated and classified accordingly to the current prudential framework.

Part E - Information on Risks and relating hedging policies

Quantitative information

A. Credit quality

As provided for in the 7th update of 29 October 2021 of Circular No. 262 "The banks' financial statements: layouts and preparations", on-demand loans to banks and central banks, recognised in the balance sheet item "Cash and cash balances", are included in the definition of cash credit exposures but are conventionally excluded from the tables on quantitative credit quality disclosures in Section 2 "Risks of the prudential consolidation", with the exception of tables A.1 .2, A.1.4, A.1.6, A.1.6bis and A.1.8 and B.3.

With the above update, a breakdown by level of credit risk and by "impaired acquired or originated" was also required of the information on:

- "Distribution of financial assets by maturity bands (balance sheet values)" - Table A.1.1;
- "Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and total provisions" - Table A.1.2;
- "Cash and off-balance sheet credit exposures to banks: gross and net values" and "Cash and off-balance sheet credit exposures to customers: gross and net values" - Table A.1.4 and Table A.1.5;
- "Classification of financial assets, commitments to disburse funds and financial guarantees issued according to external and internal ratings'.

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	First stage			Second stage			Third stage			Purchased or originated 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	17,956	2,536	77	24	1,508	190	16	5	4,040	-	-	-
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
3. Financial instruments classified held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total 12/31/2021	**17,956**	**2,536**	**77**	**24**	**1,508**	**190**	**16**	**5**	**4,040**	**-**	**-**	**-**
Total 12/31/2020	**12,991**	**409**	**36**	**10**	**1,340**	**1,304**	**33**	**22**	**3,099**	**-**	**-**	**-**

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																	
	First stage activities						Second stage activities						Activities included in the third stage					
	Credit to banks and Central Banks on demands	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Credit to banks and Central Banks on demands	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Credit to banks and Central Banks on demands	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns
Total opening adjustments	**(77)**	**(16,311)**	**(17)**	**-**	**-**	**(16,406)**	**-**	**(3,759)**	**-**	**-**	**-**	**(3,759)**	**-**	**(21,959)**	**-**	**-**	**(18,752)**	**(3,207)**
Changes in increase from financial assets acquired or originated	(6)	(4,400)	-	-	-	(4,406)	-	(475)	-	-	-	(475)	-	(1,111)	-	-	(388)	(723)
Cancellations other than write-offs	-	1,823	9	-	-	1,832	-	407	-	-	-	407	-	794	-	-	309	485
Net value adjustments / write-backs for credit risk	48	4,406	2	-	-	4,456	-	(52)	-	-	-	(52)	-	(1,376)	-	-	(406)	(970)
Contractual changes without cancellations	-	1	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	4	-	-	-	3	-	5	-	-	-	5	-	3,491	-	-	3,464	27
Other variations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(970)	970
Total closing adjustments	**(35)**	**(14,477)**	**(6)**	**-**	**-**	**(14,520)**	**-**	**(3,874)**	**-**	**-**	**-**	**(3,874)**	**-**	**(20,161)**	**-**	**-**	**(16,743)**	**(3,418)**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	26	-	-	26	-
Write-offs recorded directly in the income statement	-	(1)	-	-	-	(1)	-	(20)	-	-	-	(20)	-	(82)	-	-	(82)	-

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					Total provisions on commitments to disburse funds and financial guarantees issued				Tot.
	Purchased or originated impaired financial assets									
	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	First stage	Second stage	Third stage	Commitments to provide funds and financial guarantees issued impaired acquired or originated	
Total opening adjustments	**-**	**-**	**-**	**-**	**-**	**(61)**	**-**	**-**	**-**	**(42,184)**
Changes in increase from financial assets acquired or originated	X	X	X	X	X	(38)	-	-	-	**(6,030)**
Cancellations other than write-offs	-	-	-	-	-	51	-	-	-	**3,084**
Net value adjustments / write-backs for credit risk	-	-	-	-	-	(4)	-	-	-	**3,024**
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	**1**
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	**-**
Write-offs non recorded directly in the income statement	-	-	-	-	-	-	-	-	-	**3,500**
Other variations	-	-	-	-	-	-	-	-	-	**-**
Total closing adjustments	**-**	**-**	**-**	**-**	**-**	**(52)**	**-**	**-**	**-**	**(38,605)**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	**-**
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	-	-	**-**

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 carrying amount/nominal amount					
	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	2,778	1,122	1,018	111	3,509	306
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-
3. Financial assets held for sale	-	-	-	-	-	-
4. Commitments and financial guarantees given	3	-	1	1	8	-
12/31/2021	**2,781**	**1,122**	**1,019**	**112**	**3,517**	**306**
12/31/2020	**4,262**	**286**	**725**	**46**	**3,663**	**310**

Part E - Information on Risks and relating hedging policies

A.1.3a Loans and advances subject to measures applied in response to the COVID-19: transfers between different stages of credit risk (gross values)

(Amounts in € thousand)

Portfolio/quality	Gross values / Nominal value					
	Transfers between first stage and second stage		Transfers between second stage to third stage		Transfer between first stage and third stage	
	From first to second stage	From second stage to first stage	From second to third stage	From third to second stage	From first to third stage	From third to first stage
A. Loans and advances measured at amortized cost	**325**	**-**	**-**	**-**	**-**	**-**
A.1 subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-
A.2. loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-
A.3 subject to COVID-19-related forbearance measures	325	-	-	-	-	-
A.4 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-
B. Loans and advances valued at fair value with an impact on overall profitability	**-**	**-**	**-**	**-**	**-**	**-**
B.1 subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-
B.2. loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-
B.3 subject to COVID-19-related forbearance measures	-	-	-	-	-	-
B.4 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-
Total 12/31/2021	**325**	**-**	**-**	**-**	**-**	**-**
Total 12/31/2020	**1,236**	**-**	**-**	**-**	**38**	**-**

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*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDITS EXPOSURES												
A.1 ON DEMAND	**1,463,880**	**1,463,880**	**-**	**-**	**-**	**(34)**	**(34)**	**-**	**-**	**-**	**1,463,846**	**-**
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,463,880	1,463,880	-	X	-	(34)	(34)	-	X	-	1,463,846	-
A.2 OTHERS	**5,757,583**	**5,757,583**	**-**	**-**	**-**	**(73)**	**(73)**	**-**	**-**	**-**	**5,757,510**	**-**
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	5,757,583	5,757,583	-	X	-	(73)	(73)	-	X	-	5,757,510	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**7,221,463**	**7,221,463**	**-**	**-**	**-**	**(107)**	**(107)**	**-**	**-**	**-**	**7,221,356**	**-**
B. OFF-BALANCE SHEET CREDITS EXPOSURES												
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	558,323	17,170	-	X	-	-	-	-	X	-	558,323	-
TOTAL (B)	**558,323**	**17,170**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**558,323**	**-**
TOTAL (A+B)	**7,779,786**	**7,238,633**	**-**	**-**	**-**	**(107)**	**(107)**	**-**	**-**	**-**	**7,779,679**	**-**

It should be noted that financial assets held for trading, derivative contracts and off-balance sheet transactions other than those subject to the impairment rules under IFRS 9 have been classified, by convention, as non-impaired exposures, but have not been included in the columns providing a breakdown by risk stage.

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to € 413,629 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*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDITS EXPOSURES												
a) Bad exposures	**18,939**	**X**	**-**	**18,939**	**-**	**(16,798)**	**X**	**-**	**(16,798)**	**-**	**2,141**	**-**
- of which: forborne exposures	285	X	-	285	-	(250)	X	-	(250)	-	35	-
b) Unlikely to pay	**3,478**	**X**	**-**	**3,478**	**-**	**(2,299)**	**X**	**-**	**(2,299)**	**-**	**1,179**	**-**
- of which: forborne exposures	347	X	-	347	-	(250)	X	-	(249)	-	97	-
c) Non performing past due	**2,124**	**X**	**-**	**2,124**	**-**	**(1,063)**	**X**	**-**	**(1,063)**	**-**	**1,061**	**-**
- of which: forborne exposures	118	X	-	118	-	(34)	X	-	(34)	-	84	-
d) Performing past due exposures	**22,597**	**20,705**	**1,891**	**X**	**-**	**(294)**	**(124)**	**(169)**	**X**	**-**	**22,303**	**-**
- of which: forborne exposures	114	-	114	X	-	(2)	-	(2)	X	-	112	-
e) Other performing exposures	**25,168,844**	**25,155,024**	**13,749**	**X**	**-**	**(17,994)**	**(14,289)**	**(3,704)**	**X**	**-**	**25,150,850**	**-**
- of which: forborne exposures	1,877	-	1,877	X	-	(35)	-	(35)	X	-	1,842	-
TOTAL (A)	**25,215,982**	**25,175,729**	**15,640**	**24,541**	**-**	**(38,448)**	**(14,413)**	**(3,873)**	**(20,160)**	**-**	**25,177,534**	**-**
B. OFF-BALANCE SHEET CREDITS EXPOSURES												
a) Non performing	97	X	-	12	-	-	X	-	-	-	97	-
b) Performing	2,852,209	28,154	420	X	-	(51)	(51)	-	X	-	2,852,158	-
TOTAL (B)	**2,852,306**	**28,154**	**420**	**12**	**-**	**(51)**	**(51)**	**-**	**-**	**-**	**2,852,255**	**-**
TOTAL (A+B)	**28,068,288**	**25,203,883**	**16,060**	**24,553**	**-**	**(38,499)**	**(14,464)**	**(3,873)**	**(20,160)**	**-**	**28,029,789**	**-**

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 €998,380 thousand.

Part E - Information on Risks and relating hedging policies

A.1.5a On-balance credit exposures to customers subject to measures applied in response to the COVID-19: gross and net values

(Amounts in € thousand)

Exposure types / amounts	Gross exposure					Total value adjustments and total provisions					Net exposure	Write-off partial total*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. BAD CREDIT EXPOSURES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
B. UNLIKELY TO PAY CREDIT LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
C. NON-PERFORMING PAST DUE CREDIT LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
D. OTHER PERFORMING PAST DUE LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
E. OTHER PERFORMING LOANS	**1,004**	**231**	**773**	**-**	**-**	**(13)**	**(2)**	**(11)**	**-**	**-**	**(991)**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	124	124	-	-	-	(1)	(1)	-	-	-	(123)	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	107	107	-	-	-	(1)	(1)	-	-	-	(106)	-
c) Subject to COVID-19-related forbearance measures	773	-	773	-	-	(11)	-	(11)	-	-	(762)	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A+B+C+D+E)	**1,004**	**231**	**773**	**-**	**-**	**(13)**	**(2)**	**(11)**	**-**	**-**	**(991)**	**-**

Part E - Information on Risks and relating hedging policies

A.1.6 Prudential consolidated perimeter - On-balance sheet credit exposures to banks: gross changes in non-performing exposures

No data to report.

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 Regulatory consolidation – On-balance sheet credit exposures to customers: gross changes in non-performing exposures

(Amounts in € thousand)

Sources/categories	Bad exposure	Unlikely to pay	Past-due impaired loans
A. Opening balance - gross exposure	**20,843**	**3,427**	**1,219**
- of which: assets sold but not derecognised	-	-	-
B. Increases	**2,319**	**2,310**	**2,395**
B.1 transfers from performing exposures	893	1,674	2,095
B.2 transfers from financial assets purchased or originated credit impaired	-	-	-
B.3 transfers from other categories of impaired exposures	1,382	141	-
B.4 contractual changes without write-off	-	-	-
B.5 other increases	44	495	300
C. Decreases	**(4,223)**	**(2,259)**	**(1,490)**
C.1 transfers to performing exposures	-	(169)	(210)
C.2 write-off	(3,534)	(5)	(35)
C.3 collections	(679)	(910)	(623)
C.4 proceeds from disposals	-	-	-
C.5 losses on disposal	-	-	-
C.6 transfers to other categories of impaired exposures	-	(1,036)	(488)
C.7 contractual changes without write-off	-	-	-
C.8 other decreases	(10)	(139)	(134)
D. Gross exposure closing balance	**18,939**	**3,478**	**2,124**
- of which: assets sold but not derecognised	-	-	-

Part E - Information on Risks and relating hedging policies

A.1.7bis Regulatory consolidation - On-balance sheet credit exposures to customers: gross changes in forborne non-performing exposures

(Amounts in € thousand)

Sources/categories	Forborne exposure: non performing	Forborne exposure: performing
A. Opening balance - gross exposure	**744**	**1,074**
- of which: assets sold but not derecognised	-	-
B. Increases	**331**	**1,243**
B.1 transfers from performing exposures not forborne	-	1,162
B.2 transfers from performing forborne exposures	29	X
B.3 transfers from impaired forborne exposures	X	7
B.4 transfers from impaired not forborne exposure	-	-
B.5 other increases	302	74
C. Decreases	**(325)**	**(326)**
C.1 transfers to performing exposures not forborne	X	(142)
C.2 transfers to performing forborne exposures	(7)	X
C.3 transfers to impaired forborne exposures	X	(29)
C.4 write-offs	(17)	-
C.5 collections	(237)	(152)
C.6 proceeds from disposals	-	-
C.7 losses on disposals	-	-
C.8 other decreases	(64)	(3)
D. Gross exposure closing balance	**750**	**1,991**
- of which: assets 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 Regulatory consolidation - On-balance sheet credit exposures to customers: changes in overall impairment

(Amounts in € thousand)

Sources/categories	Bad loans		Unlikely to pay		Past due impaired loans	
	Total	of which: forborne exposures	Total	of which: forborne exposures	Total	of which: forborne exposures
A. Total opening impairment	**(18,818)**	**(244)**	**(2,362)**	**(297)**	**(778)**	**(8)**
of which: assets sold but not derecognised	-	-	-	-	-	-
B. Increases	**(2,190)**	**(55)**	**(1,445)**	**(111)**	**(1,048)**	**(53)**
B.1 value adjustments from financial assets purchased or originated credit impaired	-	X	-	X	-	X
B. 2 other value adjustments	(1,194)	(13)	(1,327)	(72)	(1,025)	(30)
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfer from other categories impaired exposures	(970)	(42)	(93)	(14)	-	-
B.5 contractual changes without write-off	-	-	-	-	-	-
B.6 other increases	(26)	-	(25)	(25)	(23)	(23)
C. Decreases	**4,210**	**49**	**1,508**	**158**	**763**	**27**
C.1 write-backs from assessments	196	11	214	48	151	5
C.2 write-backs from recoveries	480	21	494	73	262	3
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-off	3,534	17	5	-	35	-
C.5 transfers to other categories of impaired exposures	-	-	770	37	293	19
C.6 contractual changes without write-off	-	-	-	-	-	-
C.7 other decreases	-	-	25	-	22	-
D. Final overall impairment	**(16,798)**	**(250)**	**(2,299)**	**(250)**	**(1,063)**	**(34)**
of which: assets 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	**5,478,377**	**6,063,548**	**12,951,495**	**87,254**	**7,483**	**-**	**6,346,322**	**30,934,479**
- First stage	5,478,377	6,063,548	12,951,495	87,254	7,483	-	6,306,141	30,894,298
- Second stage	-	-	-	-	-	-	15,640	15,640
- Third stage	-	-	-	-	-	-	24,541	24,541
- Purchased or originated impaired	-	-	-	-	-	-	-	-
B. Financial assets valued at fair value with impact on overall profitability	**-**	**39,019**	**-**	**-**	**-**	**-**	**-**	**39,019**
- First stage	-	39,019	-	-	-	-	-	39,019
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**5,478,377**	**6,102,567**	**12,951,495**	**87,254**	**7,483**	**-**	**6,346,322**	**30,973,498**
D. Commitments and financial guarantees given	**-**	**-**	**17,170**	**-**	**-**	**-**	**28,585**	**45,755**
- First stage	-	-	17,170	-	-	-	28,154	45,324
- Second stage	-	-	-	-	-	-	420	420
- Third stage	-	-	-	-	-	-	11	11
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**17,170**	**-**	**-**	**-**	**28,585**	**45,755**
Total (A+B+C+D)	**5,478,377**	**6,102,567**	**12,968,665**	**87,254**	**7,483**	**-**	**6,374,907**	**31,019,253**

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 Sovereign States ("Central governments and central banks", "Entities" and "Public Sector Entities" portfolio) and Covered bonds. In general, a weighting factor of 100%is applied to the remaining credit exposures, subject to the main exceptions established by CRR 575/2013.

Credit exposures to retail customers (consisting in personal loans, mortgages credit cards spending - both full payment of balance or revolving -, unsecured and secured loans and securities lending at December 31, 2021) are not externally ranked. Rated exposures towards non-retail customers mainly derive from credits with banks having a high credit rating.

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)

	Gross exposure	Net exposures	Real guarantees (1)				Personal guarantees (2)	
							Credit derivatives	
			Property - mortgages	Property - Financial leases	Securities	Other real guarantees	CLN	Other derivatives - Central counterparties
1. Secured on-balance sheet exposures:	**3,856,586**	**3,856,586**	**-**	**-**	**3,856,579**	**-**	**-**	**-**
1.1 totally secured	3,856,586	3,856,586	-	-	3,856,579	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**17,166**	**17,166**	**-**	**-**	**17,166**	**-**	**-**	**-**
2.1 totally secured	17,166	17,166	-	-	17,166	-	-	-
- 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:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,856,579**
1.1 totally secured	-	-	-	-	-	-	-	3,856,579
- of which impaired	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,166**
2.1 totally secured	-	-	-	-	-	-	-	17,166
- 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:	**4,708,685**	**4,702,418**	**2,479,332**	**-**	**2,174,779**	**48,274**	**-**	**-**
1.1 totally secured	4,704,327	4,698,067	2,475,285	-	2,174,534	48,247	-	-
- of which: impaired	1,514	1,084	879	-	205	-	-	-
1.2 partially secured	4,358	4,351	4,047	-	245	27	-	-
- of which: impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**29,458**	**29,408**	**-**	**-**	**26,144**	**3,252**	**-**	**-**
2.1 totally secured	29,381	29,331	-	-	26,124	3,207	-	-
- of which: impaired	-	-	-	-	-	-	-	-
2.2. partially secured	77	77	-	-	20	45	-	-
- of which: impaired	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

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:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,702,385**
1.1 totally secured	-	-	-	-	-	-	-	4,698,066
- of which: impaired	-	-	-	-	-	-	-	1,084
1.2 partially secured	-	-	-	-	-	-	-	4,319
- of which: impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,396**
2.1 totally secured	-	-	-	-	-	-	-	29,331
- of which: impaired	-	-	-	-	-	-	-	-
2.2. partially secured	-	-	-	-	-	-	-	65
- of which: impaired	-	-	-	-	-	-	-	-

A.4 Prudential consolidated perimeter - Financial and non-financial assets obtained through the enforcement of guarantees received

No data to report.

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 which: forborne exposures		-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-
- of which: forborne exposures		-	-	-	-	-	-
A.3 Past-due impaired loans		-	-	-	(1)	-	-
- of which: forborne exposures		-	-	-	-	-	-
A.4 Performing exposures		19,175,946	(5,800)	377,439	(195)	27,042	(3)
- of which: forborne exposures		-	-	-	-	-	-
Total (A)		**19,175,946**	**(5,800)**	**377,439**	**(197)**	**27,042**	**(3)**
B. Off-balance sheet exposures							
B.1 Impaired		-	-	-	-	-	-
B.2 Unimpaired		-	-	2,335	-	-	-
Total (B)		**-**	**-**	**2,335**	**-**	**-**	**-**
Total (A+B)	**12/31/2021**	**19,175,946**	**(5,800)**	**379,774**	**(197)**	**27,042**	**(3)**
Total (A+B)	**12/31/2020**	**16,455,100**	**(7,330)**	**355,823**	**(211)**	**20,393**	**(3)**

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		1	(7)	2,140	(16,790)
- of which: forborne exposures		-	-	34	(250)
A.2 Unlikely to pay		19	(44)	1,160	(2,255)
- of which: forborne exposures		-	-	98	(249)
A.3 Past-due impaired loans		1	(2)	1,060	(1,060)
- of which: forborne exposures		-	-	85	(34)
A.4 Performing exposures		718	(6)	5,619,052	(12,286)
- of wihch: forborne exposures		-	-	1,954	(37)
Total (A)		**739**	**(59)**	**5,623,412**	**(32,391)**
B. Off-balance sheet exposures					
B.1 Impaired		-	-	97	-
B.2 Unimpaired		334	-	1,851,108	(51)
Total (B)		**334**	**-**	**1,851,205**	**(51)**
Total (A+B)	**12/31/2021**	**1,073**	**(59)**	**7,474,617**	**(32,442)**
Total (A+B)	**12/31/2020**	**967**	**(50)**	**5,610,113**	**(34,296)**

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 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		United States
	Net exposures	Total impairments	Net exposures	Total impairments	Net exposures
A. On-balance sheet exposures					
A.1 Bad loans	2,135	(16,758)	4	(27)	2
A.2 Unlikely to pay	1,178	(2,293)	1	(6)	-
A.3 Impaired past-due exposures	1,052	(1,051)	9	(12)	-
A.4 Unimpaired exposures	13,159,004	(16,576)	10,781,672	(1,502)	963,656
Total (A)	**13,163,369**	**(36,678)**	**10,781,686**	**(1,547)**	**963,658**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	97	-	-	-	-
B.2 Unimpaired exposures	1,847,778	(50)	4,933	(1)	258
Total (B)	**1,847,875**	**(50)**	**4,933**	**(1)**	**258**
Total (A+B) 12/31/2021	**15,011,244**	**(36,728)**	**10,786,619**	**(1,548)**	**963,916**
Total (A+B) 12/31/2020	**11,801,730**	**(39,296)**	**9,581,514**	**(2,358)**	**732,931**

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	United States	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)	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-
A.4 Unimpaired exposures	(151)	260,231	(57)	8,592	(1)
Total (A)	**(164)**	**260,231**	**(57)**	**8,592**	**(1)**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	-	-	-	-	-
B.2 Unimpaired exposures	-	773	-	35	-
Total (B)	-	**773**	**-**	**35**	**-**
Total (A+B) 12/31/2021	**(164)**	**261,004**	**(57)**	**8,627**	**(1)**
Total (A+B) 12/31/2020	**(93)**	**296,894**	**(139)**	**8,934**	**(1)**

Exposures connected with the counterparty risk relating to the granting or borrowing of securities on loan are excluded.

Part E - Information on Risks and relating hedging policies

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		U.S.A.
		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		5,689,817	(41)	1,033,351	(46)	66,271
Total (A)		**5,689,817**	**(41)**	**1,033,351**	**(46)**	**66,271**
B. Off-balance sheet credit exposures						
B.1 Impaired exposure		-	-	-	-	-
B.2 Unimpaired exposure		17,170	-	127,524	-	-
Total (B)		**17,170**	**-**	**127,524**	**-**	**-**
Total (A+B)	**12/31/2021**	**5,706,987**	**(41)**	**1,160,875**	**(46)**	**66,271**
Total (A+B)	**12/31/2020**	**8,083,920**	**(105)**	**1,425,033**	**(162)**	**109,500**

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		U.S.A.	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		(5)	-	-	431,917	(15)
Total (A)		**(5)**	**-**	**-**	**431,917**	**(15)**
B. Off-balance sheet credit exposures						
B.1 Impaired exposure		-	-	-	-	-
B.2 Unimpaired exposure		-	-	-	-	-
Total (B)		**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2021**	**(5)**	**-**	**-**	**431,917**	**(15)**
Total (A+B)	**12/31/2020**	**(4)**	**-**	**-**	**432,664**	**(28)**

It should be noted that the comparative information as at 31 December 2020 has been restated following the entry into force of the 7th update of Circular no. 262 "The bank's financial statements: layouts and presentations " mentioned above. In particular, in the columns "Italy - Net exposures" and "Italy - Total impairments", the net exposure, amounting to €1,760,340 thousand, and the value adjustments, amounting to €62 thousand, relating to on-demand loans to central banks, recognised in the balance sheet item "Cash and cash balances", have been added, respectively. Exposures connected with the counterparty risk relating to the granting or borrowing of securities on loan are excluded.

Part E - Information on Risks and relating hedging policies

B.4 Large exposures

As at 31 December 2021, the "risk positions" constituting a "large exposure" pursuant to the Commission Implementing Regulation (EU) No 451/2021 of 17 December 2020 which establishes technical implementation rules with regard to the reporting of entities for supervisory purposes in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, and subsequent Regulations that modify the content, are the following:

- book value: € 26,544,501 thousand, excluding the reverse repo transactions and indirect exposures as defined below;
- non-weighted value: € 31,373,043 thousand, including repurchase agreements and indirect exposures;
- weighted value: € 2,193,199 thousand, including repurchase agreements and indirect exposures;
- number of "risk positions": 35.

It should be noted that, in accordance with the EBA Guidelines on connected customers pursuant to Article 4, paragraph 1, point 39) of Regulation (EU) no. 575/2013, the large exposures also include counterparties with links to central governments that, although they do not individually exceed the 10% threshold of the eligible capital for large exposures, exceed this limit when the exposure to the sovereign to which they are linked by a control relationship is also considered.

It should be also noted that Regulation (EU) 876/2019, which entered into force as of 28 June 2021, introduced the requirement to apply the "Substitution Approach", whereby an Institution, when reducing its exposure to a client using a credit risk mitigation technique eligible under Article 399, paragraph 1, treats, in the manner set out in Article 403, the portion of the exposure corresponding to the reduction as an exposure to the protection provider rather than to the client. This implies compliance with the limits set by Article 395 CRR on the sum of direct exposures to clients and exposures represented by collateral received (“indirect exposures”). In addition, the Regulation requires institutions to add to the total exposures toward a client the exposures arising from derivative contracts where the contract has not been directly concluded with that client but the underlying debt or equity instrument has been issued by that client (“indirect exposures”).

Following the deconsolidation of FinecoBank from the UniCredit Group took place, FinecoBank and UniCredit S.p.A. have entered into a contract (Pledge Agreement) which provides for the granting by UniCredit S.p.A. of financial guarantees in favour of FinecoBank aimed at guaranteeing credit risk exposures represented by UniCredit bonds, until their natural expiry, and from the financial guarantees issued by FinecoBank in favour of the Agency of Enter at the request of UniCredit S.p.A., until they are completely extinguished. These guarantees meet the requirements of the applicable legislation to be eligible in the context of credit risk mitigation techniques (CRM), with the consequent reduction in the exposure to UniCredit Group for the purposes of determining the Fineco Group's large exposures.

Finally, please note that deferred tax assets within the exposure towards the Italian Central Government have been exempted and, therefore, their weighted value is null.

Part E - Information on Risks and relating hedging policies

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 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 the assets involved in the transaction on a forward basis and retains all risks associated with ownership of the securities.

The Bank also carries out securities lending transactions without collateral or with collateral represented by other securities, as lender, against its own securities.

Part E - Information on Risks and relating hedging policies

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	**2**	**-**	**2**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	2	-	2	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	**3,054,849**	**-**	**3,054,849**	**-**	**3,076,242**	**-**	**3,076,242**
1. Debt securities	3,054,849	-	3,054,849	-	3,076,242	-	3,076,242
2. Loans	-	-	-	-	-	-	-
Total 12/31/2021	**3,054,851**	**-**	**3,054,851**	**-**	**3,076,242**	**-**	**3,076,242**
Total 12/31/2020	**2,125,687**	**-**	**2,125,687**	**-**	**2,174,829**	**-**	**2,174,829**

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.

D.4 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 rating of all financial instruments held.

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. Retail customer activities are limited to the granting of personal loans, mortgages, credit cards and credit lines.

Information on Sovereign Exposures

The Group is exposed to the sovereign debt of some countries, having invested a portion of its assets in debt securities issued by governments and recognized in the caption “Financial assets designated at fair value through other comprehensive income” and in “Financial assets at amortised cost”. The following table shows the face value, the book value and the fair value of these exposures as at December 31, 2021. The Group is exposed to Sovereign debt securities which are classified under the caption "Other financial assets mandatorily at fair value" accounts for € 72 thousand.

In addition, the Group hold investments in debt securities issued by Supranational institutions and Agencies accounted for in "Financial assets at amortised cost”.

Part E - Information on Risks and relating hedging policies

(Amounts in € thousand)

	Nominal value as at 12/31/2021	Carrying amount as at 12/31/2021	Fair value as at 12/31/2021	% Financial statements item 12/31/2021
Italy	**6,876,975**	**7,263,632**	**7,476,132**	**21.4%**
Financial assets at amortised cost	6,876,975	7,263,632	7,476,132	23.5%
Spain	**4,495,000**	**4,749,778**	**4,886,822**	**14.0%**
Financial assets at amortised cost	4,495,000	4,749,778	4,886,822	15.4%
Germany	**125,000**	**126,716**	**132,133**	**0.4%**
Financial assets at amortised cost	125,000	126,716	132,133	0.4%
France	**1,248,500**	**1,289,919**	**1,311,232**	**3.8%**
Financial assets at amortised cost	1,248,500	1,289,919	1,311,232	4.2%
U.S.A.	**737,242**	**745,907**	**748,317**	**2.2%**
Financial assets at amortised cost	737,242	745,907	748,317	2.4%
Austria	**512,500**	**519,695**	**536,987**	**1.5%**
Financial assets at amortised cost	512,500	519,695	536,987	1.7%
Ireland	**945,500**	**982,475**	**1,022,071**	**2.9%**
Financial assets at fair value through other comprehensive income	35,000	39,012	39,012	100.0%
Financial assets at amortised cost	910,500	943,463	983,059	3.1%
United Kingdom	**48,793**	**48,988**	**48,972**	**0.1%**
Financial assets at amortised cost	48,793	48,988	48,972	0.2%
Belgium	**540,000**	**557,732**	**577,615**	**1.6%**
Financial assets at amortised cost	540,000	557,732	577,615	1.8%
Portugal	**330,000**	**386,528**	**392,368**	**1.1%**
Financial assets at amortised cost	330,000	386,528	392,368	1.3%
Switzerland	**43,558**	**44,164**	**44,123**	**0.1%**
Financial assets at amortised cost	43,558	44,164	44,123	0.1%
Saudi Arabia	**90,000**	**90,305**	**89,145**	**0.3%**
Financial assets at amortised cost	90,000	90,305	89,145	0.3%
Chile	**203,100**	**215,488**	**209,488**	**0.6%**
Financial assets at amortised cost	203,100	215,488	209,488	0.7%
China	**165,832**	**165,160**	**160,422**	**0.5%**
Financial assets at amortised cost	165,832	165,160	160,422	0.5%
Latvia	**30,000**	**29,710**	**29,063**	**0.1%**
Financial assets at amortised cost	30,000	29,710	29,063	0.1%
Iceland	**15,000**	**14,962**	**14,680**	**0.0%**
Financial assets at amortised cost	15,000	14,962	14,680	0.0%
Total sovereign exposures	**16,407,000**	**17,231,159**	**17,679,570**	**50.9%**

The % reported in line with Sovereign counterparties and in the item "Total Sovereign exposures" have been determined on the Group's total assets, whereas those reported in line with the balance sheet items have been determined on the total of the individual items of the financial statements.

Please note that securities denominated in currencies other than euro have been converted into euro according to the spot exchange rate at the reference date of the financial statements.

As at December 31, 2021, investments in debt securities issued by Sovereign States accounted for 50.9% of the Group's total assets and none of them were structured debt securities. The Group is therefore exposed to fluctuations in the price of the public debt securities of the countries listed above. Tensions or volatility in the government bond market may negatively affect the Group's financial position and performance.

Part E - Information on Risks and relating hedging policies

The following table shows the sovereign ratings as at December 31, 2021 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	Aaa	AAA	AA+
USA	Aa1	AA+	AA+
Austria	A2	A+	AA-
Ireland	Aa3	AA-	AA
Belgium	Aa3	AA-	AA
Portugal	Baa2	BBB	BBB
United Kingdom	Aaa	AAA	AAA
Switzerland	A1	A	A-
Saudi Arabia	A1	A-	A+
Chile	A1	A+	A+
Israel	A3	A-	A+
China	A2	A	A
Latvia	Baa3	BBB	BBB
Iceland	Baa1	A-	A

Part E - Information on Risks and relating hedging policies

1.2 - Market risk

Market risk derives from changes in market variables (interest rates, securities prices, exchange rates, etc.) affecting the economic value of the Group's portfolio. The latter includes assets held in the trading book (assets held for trading) as well as those in the banking book, i.e. the transactions connected to strategic investment choices.

Risk Management Strategies and Processes

The Board of Directors of FinecoBank sets strategic guidelines for market risks taking, approves the market risk general framework and any significant changes, relating to the organisational structure, strategies, and methodologies and defines maximum risk appetite level.

The strategic approach of the Group is to maintain the minimum level of market risk compatibly with business needs and the limits established by the Risk Appetite Framework approved by the Board of Directors.

Market risk in FinecoBank is defined through two sets of limits:

- Overall measures of market risk (e.g. VaR): which are meant to establish a boundary to the internal capital absorption and to the economic loss accepted in trading activities; these limits must be consistent with assigned revenue targets and the defined risk taking capacity;
- Granular measures of market risk (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with the overall limits; in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for granular limits aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

Structure and Organisation

The Market & Liquidity Risk function, within the CRO Department, in full compliance with local legal and regulatory obligations is tasked primarily – but not exclusively – with:

- defining, implementing and refining adequate metrics at a global level to measure the exposure to market risk;
- proposing, based on the defined metrics, risk limits consistent with the risk appetite approved by the Board of Directors;
- calculating risk metrics for the global and granular measures for the Group's portfolios;
- checking that the measurements are consistent with the approved limits;
- initiating the escalation process when limits are exceeded, engaging the Group’s Top Management;
- discussing and approving new products with innovative and complex market risk profiles.

Impacts of the crisis unfolded by COVID-19 pandemic on market risks

During 2021, no impacts on the market risk profile resulting from the health emergency were recorded, neither with regard to the banking book nor with regard to the trading book.

Following the COVID-19 pandemic, FinecoBank did not change the strategies, objectives or policies for the management, measurement and control of market risks.

Risk measurement and reporting framework

Trading Book

The main tool used by the Group to measure the market risk of trading positions is Value at Risk (VaR), calculated using the historic simulation approach.

The historic simulation method involves the daily revaluation of positions on the basis of market price trends over an appropriate observation period. The resulting distribution of profits and losses is analysed to determine the effect of extreme market fluctuations on portfolios. The percentile value of the distribution corresponding to the set confidence level represents the VaR. The following parameters are used to calculate the VaR: confidence level 99%; time horizon of 1 day; daily update of the time series; observation period of 250 days.

Part E - Information on Risks and relating hedging policies

Banking Book

The primary responsibility for monitoring and controlling Market Risk management in the banking book lies with the Group's competent Bodies. The Parent Company CRO Department is responsible for monitoring market risk on the banking book by defining the structure, the relevant data and the frequency for adequate reporting.

Market risk in the banking book mainly consists of credit spread risk, interest rate risk and exchange rate risk.
The first one mainly arises from investments in debt securities held for liquidity purposes. Market risk associated with the bond portfolio is monitored and restrained by limits on the notional amount, Economic Value sensitivity and the Value at Risk.

The second one, interest rate risk is managed for stabilization purposes. The banking book interest rate risk measure covers the dual aspect of the value and the net interest income/expense of the Group. More precisely, the different, and complementary, perspectives involve:

- Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the Group may be viewed as the present value of the expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities. A relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 basis point rate shock. Such measure is considered relevant to assess the economic value impact of various changes in the yield curve. The economic value sensitivity is also calculated for a 200bp parallel shock. A monitoring variable from this perspective is the value at risk resulting from interest rate risk component only;
- Income perspective: the focus of analysis is the impact of changes of interest rates on accrued or reported Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities. An example of a risk measure used is the Net Interest Income sensitivity for a 100bp parallel shock in rates. Such measure provides an indication of the impact that such a shock would have on the net interest margin over the next 12 months.

The third one is exchange rate risk. This exposure mainly derives from a mismatching of assets and liabilities in USD. Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

Procedures and methodologies for valuation of Trading Book positions

The Group ensures that the value applied to each trading book position appropriately reflects the current fair (market) value, i.e. the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of each financial instrument is based on, or derived from, observable market prices or inputs. The availability of observable prices or other market variables differs by product and market, and might change over time.

If observable prices or parameters are readily and regularly available (i.e. satisfying adequate liquidity requirements), they are directly employed in the determination of fair value (mark-to-market).

In non-active markets or for certain instruments, for which observable prices or inputs are not available, fair value is calculated using valuation techniques that are appropriate for the specific instrument (mark-to-model). This approach involves estimation and judgement, therefore, it might require valuation adjustments in order to take into account bid-ask spreads, liquidity and counterparty risk, besides the employed pricing model. In addition, each pricing model used for *fair value* calculation is validated by a dedicated function independent from business units.

In order to ensure an adequate separation between developing functions and validating functions, all valuation models developed shall be centrally tested and validated by functions fully independent from those that have developed the model thereof. Model validation is also centrally carried out for any new system or analysis tool whose outcome has a potential impact on the Group's economic results.

In addition to daily marking to market or marking to model, the CRO Department carries out an Independent Price Verification (IPV). This is the process through which market prices or model inputs are regularly verified for accuracy and independence. Whereas marking to market or marking to model may be performed daily by front-office dealers, the verification of market prices and model inputs is performed on a monthly basis.

Risk measures

VaR

The VaR calculated within market risk measurement for both the banking and trading book is based on the historical simulation approach. The selected model has several advantages:

- it is easy to understand and communicate;
- it does not require any specific assumptions about the functional form of the distribution of yields of the risk factors;
- it does not require an estimation of the variance-covariance matrix of the market factors that may affect the value of the portfolio.

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- it captures the correlation structure reflected in the simultaneous changes in market factors, implicitly assuming that it will remain constant in the future.

On the other hand VaR models based on historical simulations do not provide any information on the amount of the loss exceeding the VaR. This why the Group's framework uses additional instruments such as stress tests.

1.2.1 Interest rate risk and price risk – regulatory trading book

Qualitative information

A. General Matters

The trading book is used to hold debt securities (ordinary and subordinated, structured and plain vanilla), equity instruments, and certificates – listed and non-listed – related to brokerage activities with retail customers.

The Group does not perform proprietary trading and does not assume speculative positions in its books. Accounting movements in the Group's trading book are recorded against brokerage activities with retail customers, in particular for OTC instruments trading. Other movements in the trading book are recorded for the own account dealing, available for several securities when the Group takes on the role of counterparty to the customer. This activity is performed as a result of the options introduced by the MiFID which allow the execution of orders for financial instruments in a number of execution venues including internal execution.

B. Processes for managing and methods for measuring interest rate risk and price risk

For a characterization of both internal risk monitoring, managing processes and risk assessment methodologies, please refer to the introduction.

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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	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	72	-	-	-
- Others								
+ Long positions	152	54,888	-	-	244	-	1,401	-
+ Short positions	152	54,260	-	-	244	320	1,613	-
3.2 Without underlying security								
- Options								
+ Long positions	15	523	-	-	-	-	-	-
+ Short positions	15	928	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	75,913	80	35,740	-	-	-	-
+ Short positions	-	62,293	660	49,280	-	-	-	-

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").

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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	-	159,501	-	-	-	-	-	-
+ Short positions	-	159,149	298	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	1,094	-	-	-	-	-	-
+ Short positions	-	726	-	-	-	-	-	-
- Other derivatives								
+ Long positions	15	91,082	869	72,681	-	-	-	-
+ Short positions	15	104,673	255	58,541	-	-	-	-

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
	U.S.A.	UNITED KINGDOM	ITALY	GERMANY	FRANCE	OTHER COUNTRY	
A. Equity instruments							
- long positions	9.103	833	38	1.123	592	3.102	-
- short positions	26	5	20	102	43	77	-
B. Unsettled equity instrument trades							
- long positions	131.362	19	20.464	4.942	13	52.944	-
- short positions	131.286	50	20.486	4.943	51	53.234	-
C. Other equity instruments derivatives							
- long positions	1.461	53	785	159	92	609	-
- short positions	10.298	863	883	1.222	612	3.537	-
D. Share index derivatives							
- long positions	23.676	241	8.131	10.884	1.103	3.608	-
- short positions	23.829	267	5.682	12.413	1.349	3.715	-

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 31, 2021, the daily VaR of the trading book amounted to € 101 thousand. The average for the year 2021 is € 199 thousand, with a maximum peak of € 508 thousand and a minimum of € 32 thousand.

The volatility in the price of instruments determines direct impacts on the income statement.

1.2.2 Interest rate risk and price risk – banking book

Qualitative information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk consists of changes in interest rates affecting:

- the net interest margin, thus, the Group's earnings;
- the net present value of assets and liabilities, as well as the present value of future cash flows.

The Group measures and monitors interest rate risk daily, within the methodological framework and the corresponding limits or thresholds approved by the Board of Director. Such limits concern to the sensitivity of the net interest margin and the economic value.

Interest rate risk has an impact on every position resulting from strategic investment decisions (banking book).

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;

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- option risk – risk resulting from implicit or explicit options in the Group's banking book positions.

Within the organisational framework described above, the Board of Directors approves the limits on interest rate. These limits are set in terms of VaR (calculated using the methodology described above in relation to the trading book). The Parent Company is responsible for managing the exposure to interest rate risk within the limits assigned.

In order to assess the effects of changes in the yield curve on the banking book, scenario analyses involving the parallel shifts in the rate curve of +/- 100 bps and +/- 200 bps are conducted at weekly intervals; further six standardized scenarios proposed by EBA guidelines (EBA/GL/2018/02) are also conducted on a weekly basis.

The scenarios relating to changes in economic value, used to fill in the EU IRRBB template reported in paragraph 2 "Banking book: internal models and other methods for sensitivity analysis", correspond to the scenarios of the Supervisory Outlier Test envisaged by the aforementioned EBA guidelines.

The scenarios applied in the EU IRRBB template relating to the change in interest income, on the other hand, reflect the assumptions underlying the assessments of the EV sensitivity scenarios and are calculated with the following assumptions:

- application of a post-shock floor increasing from -100 to 0 (from O / N to 20 years, an increase of 5 bps per year) for single currency and single curve;
- 50% weighting for the positive contributions of NII (per single currency).

For more details reference is made to section *2. Banking book: internal models and other methods of sensitivity analysis.*

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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	**2,382,763**	**6,016,921**	**254,552**	**678,168**	**4,950,206**	**14,514,613**	**1,200,162**	**-**
1.1 Debt securities	-	4,715,736	175,345	529,083	4,134,015	13,912,062	284,638	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	4,715,736	175,345	529,083	4,134,015	13,912,062	284,638	-
1.2 Loans to banks	6,694	313,241	-	-	-	-	-	-
1.3 Loans to customers	2,376,069	987,944	79,207	149,085	816,191	602,551	915,524	-
- current accounts	2,107,907	169	144	250	797	-	-	-
- other loans	268,162	987,775	79,063	148,835	815,394	602,551	915,524	-
- with early redemption option	5,772	454,834	77,851	145,745	810,975	602,522	915,460	-
- others	262,390	532,941	1,212	3,090	4,419	29	64	-
2. On-balance sheet liabilities	**28,615,582**	**76,914**	**1,036,757**	**71,990**	**33,618**	**517,580**	**710**	**-**
2.1 Deposits from customers	28,470,946	76,836	2,436	29,364	32,035	18,414	644	-
- current accounts	28,354,154	-	-	-	-	-	-	-
- other payables	116,792	76,836	2,436	29,364	32,035	18,414	644	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	116,792	76,836	2,436	29,364	32,035	18,414	644	-
2.2 Deposits from banks	144,636	78	1,034,321	42,626	1,583	1,900	66	-
- current accounts	62,800	-	-	-	-	-	-	-
- other payables	81,836	78	1,034,321	42,626	1,583	1,900	66	-
2.3 Debt securities	-	-	-	-	-	497,266	-	-
- with early redemption option	-	-	-	-	-	497,266	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**9,269,165**	**126,617**	**53,072**	**1,371,822**	**6,191,209**	**723,094**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	9,269,165	126,617	53,072	1,371,822	6,191,209	723,094	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	9,269,165	126,617	53,072	1,371,822	6,191,209	723,094	-
+ Long positions	-	8,447,489	100,000	-	230,000	90,000	-	-
+ Short positions	-	821,676	26,617	53,072	1,141,822	6,101,209	723,094	-
4. Other off-balance sheet transactions	**1,531**	**7,923**	**6,788**	**210**	**19**	**27**	**-**	**-**
+ Long positions	488	3,599	3,906	210	19	27	-	-
+ Short positions	1,043	4,324	2,882	-	-	-	-	-

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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	**4,736**	**171,515**	**182,439**	**545,180**	**130,409**	**1**	**-**	**-**
1.1 Debt securities	-	101,125	122,930	544,958	130,301	1	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	101,125	122,930	544,958	130,301	1	-	-
1.2 Loans to banks	161	35	59,509	222	-	-	-	-
1.3 Loans to customers	4,575	70,355	-	-	108	-	-	-
- current accounts	380	-	-	-	8	-	-	-
- other loans	4,195	70,355	-	-	100	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	4,195	70,355	-	-	100	-	-	-
2. On-balance sheet liabilities	**1,176,068**	**14,893**	**25**	**59**	**151**	**-**	**-**	**-**
2.1 Deposits from customers	1,176,067	14,893	25	59	151	-	-	-
- current accounts	1,164,820	-	-	-	-	-	-	-
- other payables	11,247	14,893	25	59	151	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	11,247	14,893	25	59	151	-	-	-
2.2 Deposits from banks	1	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	1	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
- Othe derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**-**	**17,857**	**17,857**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	5,030	12,827	-	-	-	-	-
+ Short positions	-	12,827	5,030	-	-	-	-	-

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 sensibility of loans and deposits to changes in the yield curve. FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of asset and liability items that do not have a contractual maturity; indeed even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

The following table provides the results of the analyses conducted in all currencies.

(Amounts in € thousand)

	Value analysis (shift + 200 bp)	Value analysis (shift - 200 bp)	Value analysis (shift +1 bp)	Irvar*	Interest rate analysis (+100bp)	Interest rate analysis (-30bp)
12/31/2021	54,805	-18,183	356	7,194	133,034	-29,193

*1 day holding period, 99% confidence level%.

The sensitivity analysis on the Group's capital, which was conducted assuming a shift of + 200 basis points on the euro interest rate curve, showed a positive impact of € 54,805 thousand. A shift of -200 basis points showed a negative impact of € -18,183 thousand.

The sensitivity analysis on Group's capital, which was conducted assuming a shift of + 1 basis point, showed a positive impact of € 356 thousand.

As of December 31, 2021, the interest rate VaR figure for the Bank came to approximately € 7,194 thousand. The average for the year 2021 is equal to € 6,020 thousand with a maximum peak of € 14,777 thousand and a minimum of € 1,375 thousand.

Total VaR, including the Credit Spread Risk component arising mainly from government securities held as investment of liquidity and including the Credit Spread Risk component deriving from UniCredit instruments, amounts to € 49,334 thousand. The average for the year 2021 is equal to € 71,328 thousand with a maximum peak of € 165,896 thousand and a minimum of € 41,572 thousand.

The sensitivity analysis on net interest margin (NIM), which was conducted assuming a shift of +100 basis points on the euro interest rate curve, showed a positive impact of € 133,034 thousand. A shift of -25 basis points would have a negative impact of € -29,193 thousand on the NIM over the next 12 months.

The assessments contained in the EU IRRBB Template report the exposure of the interest rate risk metrics at 31 December 2021 and 30 June 2021. For further information on the applied scenarios, please refer to the qualitative information section on Interest Rate Risk.

EU IRRBB Template

(Amounts in € thousand)

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel Up	55,009	68,685	136,991	133,969
2	Parallel Down	(18,202)	(15,258)	(50,005)	(55,020)
3	Steepener shock	772	(16,598)	-	-
4	Flattener shock	6,551	20,213	-	-
5	Short rates Up	20,764	35,679	-	-
6	Long rates Down	(22,380)	(26,623)	-	-

Part E - Information on Risks and relating hedging policies

1.2.3 Exchange Rate Risk

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

As part of its treasury activities, the Group collects funds in foreign currencies, mainly US dollars, through customer deposits, subsequently investing these funds mainly in bank deposits and bonds with leading credit institutions , denominated in the same currency. The impact on balance sheet items is estimated through the Forex VaR indicator.

The VaR of the Group's positions is not used for the calculation of Pillar 1 capital requirement, as it is not required by the selected traditional standardised approach. The metric described is therefore only used for managerial and risk monitoring purposes.

B. Exchange rate risk hedging

Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

The component of exchange rate risk that contributes to the formation of the overall VaR is usually tied to the temporal mismatch between assets and liabilities in US dollars.

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

(Amounts in € thousand)

Items	Currency					
	USD	GBP	CHF	JPY	AUD	OTHER CURRENCIES
A. Financial assets	**968,050**	**145,330**	**65,590**	**2,005**	**3,731**	**14,674**
A.1 Debt securities	798,946	48,988	51,381	-	-	-
A.2 Equity securities	16,056	711	-	-	-	124
A.3 Loans to banks	80,126	94,028	13,856	2,005	3,731	14,412
A.4 Loans to customers	72,922	1,603	353	-	-	138
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**76**	**123**	**1**	**-**	**-**	**5**
C. Financial liabilities	**962,714**	**144,863**	**65,201**	**1,859**	**3,577**	**13,015**
C.1 Deposits from banks	1	-	1	-	-	-
C.2 Deposits from customers	962,713	144,863	65,200	1,859	3,577	13,015
C.3 Debt securities in issue	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**1,152**	**394**	**-**	**-**	**-**	**74**
E. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ Long positions	420	673	-	1	-	-
+ Short positions	217	16	-	508	-	-
- Other derivatives	-	-	-	-	-	-
+ Long positions	84,956	31,005	11,300	20,417	4,953	14,117
+ Short positions	84,331	31,051	11,219	19,803	5,015	13,840
Total assets	**1,053,502**	**177,131**	**76,891**	**22,423**	**8,684**	**28,796**
Total liabilities	**1,048,414**	**176,324**	**76,420**	**22,170**	**8,592**	**26,929**
Balance (+/-)	**5,088**	**807**	**471**	**253**	**92**	**1,867**

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 31, 2021, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately € 81 thousand. The average for the year 2021 is equal to € 72 thousand with a maximum peak of € 153 thousand and a minimum of € 18 thousand.

Part E - Information on Risks and relating hedging policies

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 12/31/2021				Total 12/31/2020			
	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	**-**	**-**	**1,000**	**531**	**-**	**-**	**470**	**456**
a) Options	-	-	28	-	-	-	24	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	531	-	-	-	456
e) Others	-	-	972	-	-	-	446	-
2. Equities instruments and share indices	**-**	**-**	**93,645**	**21,901**	**-**	**-**	**61,840**	**15,564**
a) Options	-	-	19,245	-	-	-	5,866	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	21,901	-	-	-	15,564
e) Others	-	-	74,400	-	-	-	55,974	-
3. Currencies and gold	**-**	**-**	**233,634**	**160**	**-**	**-**	**164,932**	**154**
a) Options	-	-	1,637	-	-	-	1,215	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	160	-	-	-	154
e) Others	-	-	231,997	-	-	-	163,717	-
4. Commodities	**-**	**-**	**3,179**	**1,318**	**-**	**-**	**1,966**	**541**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**331,458**	**23,910**	**-**	**-**	**229,208**	**16,715**

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 Turbo certificates issued by FinecoBank, traded on the Hi-Cert 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 12/31/2021				Total 12/31/2020			
	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	-	-	1	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	68	-	-	-	22
g) Others	-	-	3,242	-	-	-	3,330	-
Total	**-**	**-**	**3,243**	**68**	**-**	**-**	**3,330**	**22**
2. Negative Fair value								
a) Options	-	-	766	-	-	-	328	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	4	-	-	-	52
g) Others	-	-	1,444	-	-	-	1,495	-
Total	**-**	**-**	**2,210**	**4**	**-**	**-**	**1,823**	**52**

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 Turbo certificates issued by FinecoBank, traded on the Hi-Cert 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	-	-	1,000
- positive fair value	X	-	-	2
- negative fair value	X	-	-	14
2) Equity instruments and share indices				
- notional amount	X	7,084	78	86,483
- positive fair value	X	-	1	2,002
- negative fair value	X	247	-	1,559
3) Currencies and gold				
- notional amount	X	123,436	1,171	109,026
- positive fair value	X	72	32	1,050
- negative fair value	X	209	-	126
4) Commodities				
- notional amount	X	-	-	3,179
- positive fair value	X	-	-	82
- negative fair value	X	-	-	55
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		972	-	28	1,000
A.2 Financial derivative contracts on equity instruments and share indices		38,079	84	55,482	93,645
A.3 Financial derivatives on exchange rates and gold		233,633	-	-	233,633
A.4 Financial derivatives on commodities		3,179	-	-	3,179
A.5 Financial derivatives on other instruments		-	-	-	-
Total	**12/31/2021**	**275,863**	**84**	**55,510**	**331,457**
Total	**12/31/2020**	**182,170**	**84**	**46,952**	**229,206**

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 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

Fair value hedging strategies, with the aim of complying with the interest rate risk limits for the banking book, are implemented using OTC derivative contracts. The latter, typically interest rate swaps, represent the family of instruments used mainly.

The hedges adopted are normally classified as generic that is, connected to amounts of money contained in portfolios of assets or liabilities. There are however hedging derivatives on fixed rate bonds, which carry out specific hedges. The derivatives subscribed for the purpose of hedging exactly replicate the hedged security in terms of notional, maturity, interest payment dates.

B. Cash flow hedging

Currently there are no cash flow hedging operations generated as part of the Group'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 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.

Part E - Information on Risks and relating hedging policies

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.

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 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.

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 12/31/2021				Total 12/31/2020			
	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	**8,617,489**	**250,000**	**-**	**-**	**6,627,777**	**250,000**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	8,617,489	250,000	-	-	6,627,777	250,000	-	-
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	**8,617,489**	**250,000**	**-**	**-**	**6,627,777**	**250,000**	**-**	**-**

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 the ineffectiveness of the hedge	
	Total 12/31/2021				Total 12/31/2020				Total	Total
	Over the counter			Organized markets	Over the counter			Organized markets	12/31/2021	12/31/2020
	Central counterparts	Without central counterparties: With netting arrangements	Without central counterparties: Without netting arrangements		Central counterparts	Without central counterparties: With netting arrangements	Without central counterparties: Without netting arrangements			
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	126,940	509	-	-	17,104	1,899	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**126,940**	**509**	**-**	**-**	**17,104**	**1,899**	**-**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	57,314	-	-	-	214,388	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**57,314**	**-**	**-**	**-**	**214,388**	**-**	**-**	**-**	**-**	**-**

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	8,617,489	250,000	-	-
- positive fair value	126,940	508	-	-
- negative fair value	57,313	-	-	-
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		581,364	1,371,822	6,914,303	8,867,489
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	**12/31/2021**	**581,364**	**1,371,822**	**6,914,303**	**8,867,489**
Total	**12/31/2020**	**321,411**	**1,309,637**	**5,246,730**	**6,877,778**

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 31 December 2021, for which the Group applies the provisions of IAS 39, relate to:

- the monetary amount of "Financial assets at amortised cost", for a monetary amount of € 1,461,489 thousand, referring exclusively to mortgages;
- the amount of "Financial liabilities at amortised cost", for a monetary amount of € 570,000 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 value 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:		**7,766,157**	**7,766,157**	**(96,605)**	**-**	**(215,186)**	**-**
1.1 Debt securities and interest rate		7,766,157	7,766,157	(96,605)	-	(215,186)	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	**12/31/2021**	**7,766,157**	**7,766,157**	**(96,605)**	**-**	**(215,186)**	**-**
Total	**12/31/2020**	**-**	**-**	**-**	**-**	**-**	**-**
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	**12/31/2021**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**12/31/2020**	**-**	**-**	**-**	**-**	**-**	**-**

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.

1.4 - Liquidity Risk

Qualitative information

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk can be briefly defined as the risk that the Group, also due to unexpected future events, may be unable to meet its payment obligations or to efficiently match expected cash inflows and outflows.

The different types of liquidity risk managed by the Group are as follows:

- short-term liquidity risk refers to the risk of non-compliance between the amount and / or deadlines of incoming and outgoing cash flows in the short term (less than one year);
- market liquidity risk is the risk that the Group may face significant and adverse price change, generated by exogenous and endogenous factors resulting in losses, through the sale of assets considered liquid. In the worst case, the Group may not be able to liquidate the positions thereof;
- structural liquidity risk is defined as the Group's inability to procure, in a stable and sustainable manner, the necessary funds to maintain an adequate ratio between medium / long-term assets and liabilities (over one year) at reasonable price without impacting the daily operations or the financial situation of the Group;
- stress or contingency risk is linked to future and unexpected obligations (for example withdrawals from deposits) and may require the bank to have a greater amount of liquidity than the one considered necessary to manage the ordinary business;
- financing risk, is the risk that the Group may not be able to deal effectively with any planned cash outflows.

In order to deal with its exposure to liquidity risk, the Group invests the part of its liquidity estimated by internal models as persistent and stable (so-called core liquidity) into medium/long-term investments. The amount of liquidity characterized by a lower persistence profile (so-called non-core liquidity) is employed in liquid or easily liquidable assets, such as, for example, demand deposits, short-term loans or government securities that can be used as a short-term source of funding at the Central Bank.

At the reporting date, there were no "Contingent liquidity and funding needs", such as, for example, accelerated repayment clauses or the issue of additional guarantees relating to a downgrade of the Group.

The key principles

The Group's purpose is to maintain liquidity at a level that allows to conduct the main operations safely, finance its activities at the best rate conditions in normal operating circumstances and always remain in a position to meet payment commitments. In particular, the investment policy consider as a priority, among all prudential criteria, the liquidability of the instruments; the outcome of this policy translates into liquidity indicators exceeding by far minimum regulatory requirements.

The Group has a "Group Liquidity Policy", directly applicable to the Parent Company and its Legal Entities, which defines the set of principles and rules that oversee the management of liquidity and related risks in the Group. In particular, the Policy describes the management of liquidity and its risks in standard and crisis conditions, first and second level control activities and the Group's related governance, defining roles and responsibilities of corporate Bodies and functions, both for the Parent Company and its Legal Entities. In March 2021, the Global Policy has been updated in order to

Part E - Information on Risks and relating hedging policies

ensure 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. With the update of the Group Liquidity Policy, it has been introduced a new management indicator called "Structural Ratio". The latter, developed by the CRO Department of the Parent Company, has the objective of managing the risk of maturity transformation, considering the specificities of Fineco's funding represented in the Bank's sight items model. Such indicator complements the NSFR regulatory indicator described above, and shares its objectives and most of its logic.

Liquidity Stress Test

Liquidity Stress Tests evaluate the impact of macro or micro-economic scenarios on Fineco's liquidity position, with the aim of testing the Bank's ability to continue its business in situations of liquidity distress.

Stress tests are carried out by simulating scenarios of idiosyncratic stress (decline in customer confidence) and situations of general market shock; a combination of the two shall also be considered in the stress test program. Within the stress test simulations, sensitivity analyzes are also provided to evaluate the impact produced by the movement of a particular single risk factor.

Additional scenarios are also defined (so-called reverse stress testing) aimed at identifying the risk factors and the circumstances that would lead to the Group’s point of non-viability.

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Behavioural modelling of Liabilities

FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of liability items not having a contractual maturity; indeed, even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

More specifically, liabilities modelling aims to build a profile reflecting at that best the behavioural characteristics of the items. An example is on sight deposit: estimates of the maturity profile reflect the perceived stickiness. Such behavioural models are developed by the Parent Company CRO Department and validated by the Internal Validation function.

Group's Contingency Liquidity Management

The objective of the Group "Contingency Plan on liquidity risk", defined in the Group Liquidity Policy, is to ensure timely implementation of effective interventions also during the initial stage of a liquidity crisis, through a clear identification of individuals, powers, responsibilities, communication, and reporting criteria, with the aim of significantly increasing the probability of successfully overcoming the state of emergency. This is achieved through:

- activation of extraordinary liquidity governance and operating model;
- consistent communication both internal and external;
- a set of available mitigating liquidity actions;
- a set of early warning indicators, also included within the Group Recovery Plan, showing any possible evidence of a developing liquidity crisis.

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 2020 Internal Liquidity Adequacy Assessment Process includes COVID-19 impacts on the Group's liquidity adequacy as at December 31, 2020. The stress tests, 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.

Impacts of the crisis unfolded by COVID-19 pandemic on liquidity

In March 2020, FinecoBank has recorded a sharp increase in direct customer deposits due to the high market uncertainty resulting from COVID-19 pandemic; in April and May 2020 direct funding has decreased as the outcome of further liquidity investment from customers. In the second half-year 2020, incoming and outgoing liquidity flows have normalized, showing the stability of the Group's liquidity position. From the beginning of the COVID-19 pandemic crisis, direct funding as a whole has actually increased. The growth trend continued in 2021.

As far as liquidity 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.

Part E - Information on Risks and relating hedging policies

Quantitative information

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	**2,390,327**	**99,269**	**256,761**	**876,191**	**139,712**	**1,306,522**	**1,487,950**	**7,254,407**	**15,323,055**	**298,161**
A.1 Government securities	-	-	2,531	247,431	59,918	104,875	591,208	4,265,552	11,374,648	-
A.2 Debt securities	-	406	2,095	401,726	8,672	1,093,632	715,141	2,086,295	2,178,286	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	116
A.4 Loans	2,390,327	98,863	252,135	227,034	71,122	108,015	181,601	902,560	1,770,121	298,045
- Banks	28,085	1,081	-	4,120	1	9,999	-	-	-	298,045
- Customers	2,362,242	97,782	252,135	222,914	71,121	98,016	181,601	902,560	1,770,121	-
On-balance sheet liabilities	**28,642,861**	**8,416**	**14,782**	**7,886**	**46,038**	**1,031,825**	**74,906**	**33,619**	**521,162**	**-**
B.1 Deposits and current accounts	28,418,305	-	-	1	-	-	-	-	-	-
- Banks	62,800	-	-	-	-	-	-	-	-	-
- Customers	28,355,505	-	-	1	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	2,500	-	500,000	-
B.3 Other liabilities	224,556	8,416	14,782	7,885	46,038	1,031,825	72,406	33,619	21,162	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	75,400	13	-	531	-	-	16	49	418
- Short positions	-	75,676	5	-	-	-	-	88	580	418
C.2 Financial derivatives without exchange of capital										
- Long positions	644	40	-	7,449	5,336	19,680	30,534	-	-	-
- Short positions	991	-	-	11,208	15,057	27,576	58,782	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	2,882	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	2,882	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	73	53	191	784	104	3,906	210	19	27	-
- Short positions	1,028	3,908	-	416	-	-	-	-	15	-
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	-	-	-	-	-	-	-	-	-	-

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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	**5,051**	**14,967**	**2,257**	**24,915**	**132,293**	**184,335**	**542,652**	**130,515**	**1**	**-**
A.1 Government securities	-	-	927	19,430	83,920	124,815	542,328	123,609	1	-
A.2 Debt securities	-	-	-	-	-	-	102	6,776	-	-
A.3 Units in investment funds	6	-	-	-	-	-	-	-	-	-
A.4 Loans	5,045	14,967	1,330	5,485	48,373	59,520	222	130	-	-
- Banks	161	13	-	35	28	59,520	222	-	-	-
- Customers	4,884	14,954	1,330	5,450	48,345	-	-	130	-	-
On-balance sheet liabilities	**1,176,105**	**5,176**	**88**	**958**	**8,701**	**25**	**59**	**151**	**27**	**-**
B.1 Deposits and current accounts	1,164,851	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	1,164,851	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	11,254	5,176	88	958	8,701	25	59	151	27	-
Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	181,041	5	528	160	-	-	-	-	-
- Short positions	-	180,259	13	390	263	298	-	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	2,652	-	-	-	-	-	-	-	-	-
- Short positions	1,220	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	5,030	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	5,030	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- Long positions	-	-	-	-	-	12,827	-	-	-	-
- Short positions	-	12,827	-	-	-	-	-	-	-	-
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.

In June 2021, the Board of Directors of the Parent Company FinecoBank approved the Global Policy "Operational Risk Management Framework for the assessment of ICT and Cyber risk", which defines a common methodology at Group level for the assessment of IT and cyber risks. The analysis is conducted both in a context of normal business performance (expected impact), and in the event of extraordinary events (extreme impact).

Finally, in November 2021 the Chief Executive Officer and General Manager of the Parent Company approved a Global Operational Regulation for the control and management of operational and reputational risks, which defines the set of detailed instructions of a technical, operational or methodological nature to support the activities control and management of operational risk (including IT and cyber) and reputational 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 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;

Part E - Information on Risks and relating hedging policies

- evaluate operational and/or reputational risks resulting from the most significant transactions (e.g. significant outsourcing), ensuring their consistency with the RAF;
- ensure the effective implementation of the ICT risk assessment methodology, supporting and coordinating the individual functions involved during the process, each according to their responsibilities.

Operational risk management and mitigation

Operational risk management consists in the review of processes meant to reduce the identified risks, the management of the related insurance policies, as well as the identification of the suitable franchise and excess values thereof.

The Group has established a Permanent Work Group (PWG), which includes the CRO Department and Organization & Bank Operation; the interaction between the different corporate functions is aimed at sharing their respective knowledge relating to planned or ongoing projects, new processes, products, or changes to them and any other element that may impact on the Group's risk profile.

As part of operational risk prevention and controls on the sales network, the CRO Department function has focused its activities on fraud prevention. The development of remote monitoring aimed at preventing frauds has led to the creation of a system called System of Fraud Identification and Analysis (SoFIA). Such system can process a larger amount of data and information than individual indicators. The system works 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.

During 2021, 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. To that end, the Chief Risk Officer attends the Product Committee.

Risk measurement system

FinecoBank applies the standardized method (TSA) for the calculation of capital requirements for operational risk. Nevertheless, the governance, the oversight and the reporting framework previously adopted and developed for the internal method for measuring the capital requirement (AMA), have been retained.

The Operational & Reputational Risk function carries out the collection and classification of loss data, external loss data, as well as loss data resulting from scenario analysis and risk indicators.

The collection and classification of operating losses is carried out for internal prevention and improvement purposes. As far as risk indicators are concerned, the function uses several key risk indicators divided into control areas (Credit Cards, Compliance, HR, Legal, Operations securities, Payment Systems, Claims, Risk Management, Reputation, Transparency, AML/CFT, IT systems, Security, Administration and Audit), with which the Group mean to measure its exposure to operational risk. Should indicators show irregular values, this might be related to changes in the exposure to operational risk. Within the overall set of KRI, several ESG relevant indicators have been identified. Any irregular value of such risk indicators may signal risks related to customer relationship (e.g. client claims, unavailability or security issues in the ICT system), with employees (e.g. high turnover) or with regulators, which may affect business sustainability. Finally, during 2021 the number of indicators was further expanded in order to strengthen controls in terms of conduct risk and banking transparency.

Scenario analyses allow the assessment of the Group’s exposure to operational risk characterised by low frequency but high potential impact. Scenarios are set by analysing internal losses, external events, risk indicator trends, critical processes, products and risk classes.

Risk capital for operational risk used for regulatory purposes as at December 31, 2021, amounted to € 100,499 thousand.

Part E - Information on Risks and relating hedging policies

Risks arising from significant legal disputes

The Group, only referred to FinecoBank, is involved in individually insignificant legal proceedings over which there is considerable uncertainty regarding the outcome and the amount of possible charges, which the Bank could be forced to pay. Where it is possible to reliably estimate the amount of possible charges and the charges are considered likely, provisions have been made in an appropriate amount based on the circumstances and consistent with applicable international accounting standards, by making the best possible estimate of the amount that the Group will reasonably be expected to incur in discharging its obligations. Specifically, as a precaution against these obligations and customer claims that have not yet resulted in legal proceedings, as at December 31, 2021, FinecoBank had a provision in place for risks and charges of € 24,552 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.

Risks arising from tax disputes and audits

Risks arising from tax disputes and audits as at December 31, 2021 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 31, 2021 the Group had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, to tax liabilities of for a total of € 5.6 million, for higher tax, and to provisions for risks and charges of € 3.7 million, for penalties and interest.

The assessment of ICT operational risk

The prudential regulations require Banks to conduct an analysis, at least annually, of the Group's ICT risk and to submit the results of the assessment made to the Board of Directors.

In particular, regulations have introduced standards and specific requirements for managing and assessing ICT risk that require Banks to assess the exposure to these risks, not only by gathering and analysing economic losses, but also by considering additional information, such as ICT incidents occurred and information related to the riskiness of the Group's assets (hardware and software).

During 2021, with the adoption of the Global Policy "Operational Risk Management Framework for ICT and Cyber Risk Assessment", the Group has established and adopted a common framework for the assessment of ICT risk. The results of the analysis, conducted in collaboration with the Group's Business, ICT and Organisation structures, were reported to the Board of Directors in the month of December 2021. The analysis showed that, with respect to the business volumes processed and the complexity of the processes involved, the residual IT risk of FinecoBank is on average low. The exposure to residual risk has been formally accepted by Fineco's Process Owners without the need to identify additional mitigation measures.

The Group's goal is also to protect customers and the business by ensuring data security, declined in its characteristics of availability, confidentiality and integrity. Particular attention is in fact paid to the issues of Cyber Security & Fraud Management from the system design phase, as enabling elements for the correct definition of solutions and services offered, also taking advantage of the opportunities offered by the evolving regulatory context, in order to create full security for the customer while maintaining ease of use. For further information on Cyber Security and Fraud Management, please refer to the Consolidated Non-Financial statement of the FinecoBank Group as at December 31, 2021, published on the FinecoBank website (https://www.finecobank.com).

It should be noted that on 24 February 2022, with the start of the military conflict between Russia and Ukraine, the CSIRT (the National Cybersecurity Agency's response team) called for heightened attention and the adoption of all measures to protect ICT assets, an alert addressed to Italian companies that have relations with Ukrainian operators. On 28 February 2022, the Agency produced a new alert, this time addressed to all national digital infrastructure operators, urging them to adopt "a posture of maximum cyber defence": the offensive could in fact be directed against the coalition that has mobilised to support the attacked country. As far as Italy is concerned, the targets are generally ministries, government agencies, and companies that are strategic for the national interest, including financial institutions. The Group's objective is to ensure the protection of customers by guaranteeing data security, declined in its characteristics of availability, confidentiality and integrity: in the light of the Russian-Ukrainian crisis on the EU financial markets, particular attention has been paid to the assessment of related risks. In compliance with the measures provided for by current legislation, Fineco has undertaken a series of initiatives aimed at verifying its security posture and operational readiness, also making use of the indications and recommendations suggested by the various national and international bodies. Without prejudice to the adoption, as always, of best practices in the field of security, in terms of both technical and organizational/procedural measures, further mechanisms have been assessed and introduced to deal with any impacts deriving from the contingent situation.

Part E - Information on Risks and relating hedging policies

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 2021 did not show any criticalities or weaknesses, and it was sent to the Bank of Italy within April 30, 2021, according to the rule thereof.

Impacts of the crisis unfolded by COVID-19

No relevant impacts arising from COVID-19 pandemic have been detected so far on the Group operational risk profile. Available KRI are not showing any risk profile change, and it has not been detected any operational loss strictly connected with COVID 19 so far.

As far as operational risk is concerned, it should be noted that FinecoBank has not changed its strategies and objectives as well as its management, measurement and control policies.

Quantitative information

Operational loss analyses enable the Operational & Reputational Risk team to make assessments on the Group's exposure to operational risk and to identify any critical areas.

The main sources of operating losses are shown below by "event type", i.e. by type of event that generated them according to the Basel framework:

- Internal fraud: losses due to unauthorised activities, fraud, embezzlement or infringement of laws, regulations or company directives that involve at least one internal staff member of the Group or a resource hired under an agency contract (PFA);
- External fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the Group;
- Employment practices and workplace safety: losses due to actions not compliant with the law or to agreements regarding employment, health and safety, to the payment of compensation for bodily harm, or to cases of discrimination or non-application of equality conditions;
- Customers, products and professional practices: losses arising from non-fulfilment of professional obligations towards customers or from the nature or characteristics of the products or services provided;
- Damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- Business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- Process management, execution and delivery: losses due to deficiencies in the completion of transactions or management of processes, as well as losses due to relations with commercial counterparties, vendors and suppliers.

1.6 - Other risks

Although the risk types described above represent the main categories, there are others the Group considers nevertheless important. According to Pillar 2 regulatory requirements, the Group annually carries out a risk assessment identification process aimed at identifying all relevant risks different from Pillar One risks (credit, market and operational), to which the Group is, or may be exposed to. Along with traditional financial risks, potential significant non-financial risks are also identified, including for example reputational risks and those deriving from environmental, social and governance (ESG) factors.

After the identification of all relevant risks, the best method for analyzing them shall be identified, whether quantitative or qualitative. The quantitative measurement may be carried out through several tools, such as scenario analysis (this is the choice in particular for hard quantifiable risk such as the reputational risk and the compliance risk), VaR or the Internal Capital calculation. The latter stands for the capital needed to cope with potential losses arising from the Group's activities, and takes into consideration all risks defined by the Group itself quantifiable in terms of capital, consistently with Pillar two requirements.

The main risks considered in the overall Group Internal Capital as of December 2021 are default risk, concentration risk, migration risk, market risk, interest rate risk, credit spread risk, operational risk, business risk, and real estate risk. The overall Internal Capital is periodically exposed to stress test exercises. Such tools allows to assess the Group's vulnerabilities to exceptional but plausible events, providing additional information with respect to monitoring activities.

Environmental, social and governance risks

Since 2020, the FinecoBank Group has begun a progressive integration of Environmental, Social and Governance risks into its risk management framework.

During the Risk Inventory process for 2022, a specific focus on ESG risks and reputational risks has been developed. Since these are horizontal risks, the analysis focused on the impact assessment of environmental, social, reputational and governance risk factors across the traditional risk categories already managed and monitored by the Group.

The assessment of ESG risks, consistently with the priorities highlighted by the Regulators, mainly focused on climate and environmental risks, and did not show a high incidence of the latter on the Group's risk profile. In particular, as far as the FinecoBank's business model is concerned, the risk categories affected by ESG factors were credit and business risks. In particular credit risk, albeit marginally, may suffer the negative effects from physical and transitional events, whereas business risk, may suffer long term impacts stemming from the change in customer preferences as part of the adjustment process towards a low-emission economy.

In order to mitigate the exposures to ESG risks, as part of credit risk second level controls, a series of monitoring activities have been implemented, aimed at safeguarding the most vulnerable areas. For example, a specific indicator of environmental risk (ND-Gain) has been included in the context of country risk monitoring. Other examples are the concentration monitoring on mortgages real estate collateral in high climatic and environmental risk areas, carried out under the RAF monitoring, as well as ICAAP stress tests, which take into account both physical risk (deterioration of real estate as collateral for mortgage loans) and transition risk (change in customer preferences towards more ESG choices).

In addition to this, as part of the design and implementation process, on a voluntary basis, of the Environmental Management System compliant with the requirements of EMAS regulation no. 1221/2009/EC, during 2021 the initial environmental analysis has been finalized, a tool that allowed to map the needs and expectations of stakeholders in the environmental field, detecting their respective risks for FinecoBank, as well as defining a risk classification generated and suffered by the organization connected to the most significant environmental aspects on the basis of company activities. Among the stakeholders' expectations highlighted as most important by the analysis there are, for example, the compliance with the applicable legislation, the principles and rules of conduct enshrined in the Code of Ethics and the Organization and Management Model pursuant to Legislative Decree 231/2001 (including environmental protection), the strengthening of Fineco's ability to measure its environmental performance, to report on its environmental performance and to set targets for improvement, the satisfaction of the requests of Clients who are more attentive to ESG issues, the awareness of human capital in the environmental field and the need to ensure an open dialogue with stakeholders. The risks and opportunities deriving from these expectations are mainly of a reputational, strategic and compliance nature, and are managed by implementing specific activities aimed at mitigating them, such as, for example, the execution of internal audits on environmental legislative compliance, the drafting and subsequent publication of the Environmental Declaration in accordance with the EMAS Regulation, including the goals and targets of the Environmental Programme 2021-2024, and the intensification of information and training flows in the environmental field with the main stakeholders.

For further information on environmental, social and governance risks the Group is exposed to, reference is made to the 2021 Non-Financial Statement.

Risks associated with "Brexit"

The Group continues to develop its business in the UK, offering trading and investment services to UK customers through passporting under the UK Temporary Permission Regime (TPR).

In addition, FinecoBank is in continuous contact with the competent authorities regarding the evolution of the Brexit scenario, expected at the end of the aforementioned TPR period, and the related need to intervene in the structure of the UK business to meet the new post-TPR regulatory requirements.

Section 3 – Insurance companies risk

No information to report.

Section 4 – Other companies' risk

No information to report.

Part F - Consolidated shareholders' equity

Section 1 - Consolidated Shareholders' equity

A. Qualitative information

Group capital management is aimed at ensuring that prudential ratios are consistent with the risk profile assumed and comply with regulatory requirements.

The monitoring of capital adequacy at individual and consolidated level is ensured by the capital management activity where the size and optimal combination among the various capitalization instruments are defined, in compliance with regulatory constraints and in line with the risk profile assumed by the Group.

The Group assigns a priority role to the activities aimed at the management and allocation of capital according to the risks assumed, for the purpose of developing its operations with a view to creating value. The activities are articulated in the different phases of the planning and control process and, in particular, in the plan and budget processes and in the monitoring processes. In the dynamic management of capital, therefore, the Parent Company draws up the capital plan and monitors the regulatory capital requirements, anticipating the necessary actions to achieve the objectives.

Capital and its allocation are therefore extremely important in defining long-term strategies, since, on the one hand, it represents the shareholders' investment in the Group, which must be adequately remunerated, and, on the other hand, it is a scarce resource on which there are exogenous limits, defined by supervisory regulations.

The consolidated shareholders' equity includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement[37], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, intended to trade on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of €300 million. The coupon for the first 5 years has been fixed at 5.875%.

[37] 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	201,267	-	-	-	201,267
2. Share premium reserve	1,934	-	-	-	1,934
3. Reserves	650,202	-	-	-	650,202
4. Equity instruments	500,000	-	-	-	500,000
5. (Treasury shares)	(1,440)	-	-	-	(1,440)
6. Revaluation reserves:	(5,877)	-	-	-	(5,877)
- Financial assets (other equity securities) designated at fair value through other comprehensive income	410	-	-	-	410
- Actuarial gains (losses) on defined benefit plans	(6,287)	-	-	-	(6,287)
7. Net profit (loss) for the year	380,711	-	-	-	380,711
Total	**1,726,797**	**-**	**-**	**-**	**1,726,797**

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	410	-	-	-	-	-	-	-	410	-
2. Equity securities	-	-	-	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 12/31/2021	**410**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**410**	**-**
Total 12/31/2020	**2,379**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,379**	**-**

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	**2,379**	**-**	**-**
2. Increases	**-**	**-**	**-**
2.1 Fair value increases	-	-	-
2.2 Adjustments for credit risk	-	X	-
2.3 Reclassification through profit or loss of realised negative reserves	-	X	-
2.4 Transfer from other shareholder's equity item (equity securities)	-	-	-
2.5 Other changes	-	-	-
3. Decreases	**(1,969)**	**-**	**-**
3.1 Fair value reductions	(280)	-	-
3.2 Recoveries for credit risk	(6)	-	-
3.3 Reclassification through profit or loss of realised positive reserves	(1,683)	X	-
3.4 Transfer to other shareholder's equity item (equity securities)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	**410**	**-**	**-**

B.4 Revaluation reserves on defined benefit obligations: annual changes

(Amounts in € thousand)

	Actuarial gains (losses) on defined benefits plans
1. Opening balance	**(5,212)**
2. Increases	**-**
2.1 Fair value increases	-
2.2 Other changes	-
3. Decreases	**(1,075)**
3.1 Fair value reductions	**(1,075)**
3.2 Other changes	**-**
4. Closing balance	**(6,287)**

Part F - Consolidated shareholders' equity

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 31 December 2021", published on the Company's website www.finecobank.com, as required by Regulation (EU) 575/2013 subsequently Regulations modifying its content, including in particular, the Regulation (EU) 876/2019 (so called CRR II) of the European Parliament and of the Council.

Part 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 Parent Company for planning, directing, and controlling the Companies' activities, directly or indirectly. This category includes Board members and members of the Board of Statutory Auditors of FinecoBank, pursuant to requirements of the Bank of Italy Circular no. 262 of December 22, 2005 as amended and updated, as well as the Chief Executive Officer and General Manager, the Deputy General Manager/GBS Manager, the Chief Financial Officer, the Deputy General Manager/PFA Network Commercial and Private Banking Manager, the Deputy General Manager/Global business Manager.

(Amounts in € thousand)

Items/sectors	Total 2021	Total 2020
Remuneration paid to "Key Management Personnel", Directors and the Board of Statutory Auditors		
a) short-term benefits	7,169	6,974
b) post-employment benefits	254	257
of which under defined benefit plans	-	-
of which under defined contribution plans	*254*	*257*
c) other long-term employee benefits	-	-
d) termination benefits	-	-
e) share-based payments	2,893	2,480
Total	**10,316**	**9,711**

2. Related-party transactions

At its meeting of June 10th, 2021 and with the prior favourable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors, the Board of Directors, to ensure continued compliance with applicable legal and regulatory provisions on the corporate disclosure of transactions with related parties and persons in conflict of interest, approved the new Global Policy Procedure for the management of transactions with persons in potential conflict of interest of the FinecoBank Group (the "Global Policy"). Please note that the Global Policy was updated on December 16, 2021, effective January 15, 2022, to comply with the provisions of Article 88 of CRD V.

The aforementioned Global Policy includes the provisions to be complied with when managing:

- related parties transactions pursuant to the Consob Regulation adopted by resolution on March 12, 2010, no. 17221 as amended and updated from time to time (most recently by Consob Resolution No. 21624 of 10 December 2020);
- transactions with associated persons pursuant to the regulations on "*Risk activities and conflicts of interest with Associated Persons*", laid down by Chapter 11 of Bank of Italy Circular No. 285 of 17 December 2013 (setting out the "Supervisory Provisions for Banks"), as supplemented following Update No. 33 of 23 June 2020;
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 on September 1, 1993, showing the "*Consolidated Law on Banking*";
- transactions with other relevant persons in potential conflict of interest as defined by the Bank on a self-regulatory basis, taking into account the applicable legal and regulatory provisions.

Considering the above, during 2021, 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 31, 2021, for each group of related parties pursuant to IAS 24:

(Amounts in € thousand)

				Amounts as at	12/31/2021		
	Associates	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Financial assets at amortised cost b) loans and receivable with customers	-	917	516	1,433	0.01%	4,647	0.02%
Total assets	**-**	**917**	**516**	**1,433**	**0.00%**	**4,647**	**0.01%**
Financial liabilities at amortised cost b) deposits from customers	-	5,756	1,631	7,387	0.03%	1,124	0.00%
Other liabilities	89	139	-	228	0.07%	-	0.00%
Total liabilities	**89**	**5,895**	**1,631**	**7,615**	**0.02%**	**1,124**	**0.00%**
Commitments and financial guarantees given	**-**	**158**	**9**	**167**	**0.37%**	**-**	**0.00%**

The following table sets out the impact of transactions with related parties on the main Consolidated Income Statement items, for each group of related parties.

(Amounts in € thousand)

				Income Statement	year	2021	
	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	-	2	1	3	0.00%	-	0.00%
Fee and commission income	-	4	5	9	0.00%	17,482	2.01%
Fee and commission expenses	(95)	-	-	(95)	0.02%	(2,373)	0.56%
Gains (losses) on financial assets and liabilities held for trading	-	-	1	1	0.00%	-	0.00%
Impairment losses/writebacks	-	-	-	-	0.00%	(1)	0.17%
Other net operating income	-	64	10	74	0.05%	-	0.00%
Total income statement	**(95)**	**70**	**17**	**(8)**		**15,108**	

The "Associates" category includes transactions with Hi-Mtf Sim S.p.A., a company under significant influence, in which FinecoBank holds a 20% stake for a balance sheet amount of €1,294 thousand. The above transactions originate from the agreement entered into by the Bank with Hi-Mtf Sim S.p.A. for the trading, on the Hi-Cert segment, of Turbo Certificates issued by Fineco.

With regard to the category "Directors, Board of Statutory Auditors and Key Management Personnel", in application of the special regulations laid down in Article 136 of Legislative Decree 385/93 (Consolidated Law on Banking), the obligations established for persons that perform administrative, management and control functions pursuant to those regulations were unanimously approved by a resolution of the Board of Directors with the favourable vote of all members of the Board of Statutory Auditors, in accordance with Article 136 of said Consolidated Law on Banking.

The category "Directors, Board of Statutory Auditors and Key Management Personnel" includes the Directors, Board of Statutory Auditors and Key Management Personnel of the Parent Company dealings (excluding their remuneration, which are discussed in point 1. *Details of compensation for key management personnel*) 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 2021 refers to the costs and revenues generated from the aforesaid assets and liabilities.

Part H - Related-party transactions

The "Other related parties" category, if any, includes:

- close family members of key management personnel (i.e., relatives who could be expected to influence, or be influenced by the party involved);
- companies controlled (or jointly controlled) by, or associated with, "key management personnel" or their close family members;
- Group employee post-employment benefit plans;
- Key Management Personnel (i.e. members of the management and control bodies, the latter where present) of Fineco AM, included in the perimeter on a discretionary basis.

Transactions with "Other related parties" mainly refer to assets for credit card use and liabilities for funds held with the Bank. The income statement for 2021 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 31, 2021 held an investment in FinecoBank higher than 3% of the share capital represented by shares with voting rights. The balance sheet amounts include for current receivables and debts associated with the provision of financial services referring to the commissions to be cashed for the placement and management of asset management products. The income statement includes the same fees and commissions accrued for the 2021 financial year.

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 the following types of instruments:

- Equity-Settled Share Based Payments that involve payments settled with shares of FinecoBank;
- Cash Settled Share Based Payments that involve payments made in cash[38].

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 two to three 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.

[38] Commensurate to the economic value of FinecoBank S.p.A.’s equity instruments.

Part I - Share-based payments

1.2.1.1 2020 Incentive System (Bonus Pool)

The 2020 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 2020 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

	FinecoBank shares granted			
	2020 incentive system (bonus pool) 5 years deferred			
	2022 instalment	2024 instalment	2025 instalment	2026 instalment
Bonus Opportunity Economic Value Grant Date	15-Jan-20	15-Jan-20	15-Jan-20	15-Jan-20
Number of Shares - Date of Board resolution	09-Feb-21	09-Feb-21	09-Feb-21	09-Feb-21
Vesting Period Start Date	01-Jan-20	01-Jan-20	01-Jan-20	01-Jan-20
Vesting Period End Date	31-Dec-20	31-Dec-22	31-Dec-23	31-Dec-24
FinecoBank Share Market Price [€]	13.618	13.618	13.618	13.618
Average Economic Value of Vesting conditions [€]	-0.532	-1.279	-1.686	-2.122
Performance Shares value per share at Grant Date [€]	13.086	12.339	11.932	11.496

	FinecoBank shares granted		
	2020 incentive system (bonus pool) 4 years deferred		
	2022 instalment	2024 instalment	2025 instalment
Bonus Opportunity Economic Value Grant Date	15-Jan-20	15-Jan-20	15-Jan-20
Number of Shares - Date of Board resolution	09-Feb-21	09-Feb-21	09-Feb-21
Vesting Period Start Date	01-Jan-20	01-Jan-20	01-Jan-20
Vesting Period End Date	31-Dec-20	31-Dec-22	31-Dec-23
FinecoBank Share Market Price [€]	13.618	13.618	13.618
Average Economic Value of Vesting conditions [€]	-0.532	-1.279	-1.686
Performance Shares value per share at Grant Date [€]	13.086	12.339	11.932

	FinecoBank shares granted		
	2020 incentive system (bonus pool) 3 years deferred		
	2022 instalment	2023 instalment	2024 instalment
Bonus Opportunity Economic Value Grant Date	15-gen-20	15-gen-20	15-gen-20
Number of Shares - Date of Board resolution	09-Feb-21	09-Feb-21	09-Feb-21
Vesting Period Start Date	01-Jan-20	01-Jan-20	01-Jan-20
Vesting Period End Date	31-Dec-20	31-Dec-21	31-Dec-22
FinecoBank Share Market Price [€]	13.618	13.618	13.618
Average Economic Value of Vesting conditions [€]	-0.532	-0.895	-1.279
Performance Shares value per share at Grant Date [€]	13.086	12.723	12.339

Part I - Share-based payments

1.2.1.2 2021 Incentive System (Bonus Pool)

The 2021 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 2021 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

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:

- Bank goal sas EVA, Cost/Income and Cost of Risk on commercial loans;
- Bank and Group entry and 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.

	FinecoBank shares granted				
	2021-2023 Long Term Incentive Plan for Key management personnel				
	2025 instalment	2026 instalment	2027 instalment	2028 instalment	2029 instalment
Bonus Opportunity Economic Value Grant Date	19-Jan-21	19-Jan-21	19-Jan-21	19-Jan-21	19-Jan-21
Number of Shares - Date of Board resolution	11-May-21	11-May-21	11-May-21	11-May-21	11-May-21
Vesting Period Start Date	01-Jan-21	01-Jan-21	01-Jan-21	01-Jan-21	01-Jan-21
Vesting Period End Date	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27
FinecoBank Share Market Price [€]	14.178	14.178	14.178	14.178	14.178
Average Economic Value of Vesting conditions [€]	-1.683	-2.117	-2.577	-3.064	-3.577
Performance Shares value per share at Grant Date [€]	12.495	12.061	11.601	11.114	10.601

Part I - Share-based payments

	FinecoBank shares granted			
	2021-2023 Long Term Incentive Plan for Other "Identified Staff"			
	2025 instalment	2026 instalment	2027 instalment	2028 instalment
Bonus Opportunity Economic Value Grant Date	19-Jan-21	19-Jan-21	19-Jan-21	19-Jan-21
Number of Shares - Date of Board resolution	11-May-21	11-May-21	11-May-21	11-May-21
Vesting Period Start Date	01-Jan-21	01-Jan-21	01-Jan-21	01-Jan-21
Vesting Period End Date	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26
FinecoBank Share Market Price [€]	14.178	14.178	14.178	14.178
Average Economic Value of Vesting conditions [€]	-1.683	-2.117	-2.577	-3.064
Performance Shares value per share at Grant Date [€]	12.495	12.061	11.601	11.114

	FinecoBank shares granted			
	2021-2023 Long Term Incentive Plan for "Non Identified Staff"			
	2024 instalment	2025 instalment	2026 instalment	2027 instalment
Bonus Opportunity Economic Value Grant Date	19-Jan-21	19-Jan-21	19-Jan-21	19-Jan-21
Number of Shares - Date of Board resolution	11-May-21	11-May-21	11-May-21	11-May-21
Vesting Period Start Date	01-Jan-21	01-Jan-21	01-Jan-21	01-Jan-21
Vesting Period End Date	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26
FinecoBank Share Market Price [€]	14.178	14.178	14.178	14.178
Average Economic Value of Vesting conditions [€]	-1.277	-1.683	-2.117	-2.577
Performance Shares value per share at Grant Date [€]	12.901	12.495	12.061	11.601

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 two to three 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 2020 PFA Incentive System

The 2020 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 4 years and consisting of a mix of cash and shares, as required by the applicable regulatory framework.

The plan was assigned in 2020 and the income statement and balance sheet effects will be recognised during the vesting period of the instruments.

Part I - Share-based payments

	FinecoBank shares granted		
	2020 PFA incentive system		
	2022 instalment	2023 instalment	2024 instalment
Bonus Opportunity Economic Value Grant Date	15-Jan-20	15-Jan-20	15-Jan-20
Number of Shares - Date of Board resolution	09-Feb-21	09-Feb-21	09-Feb-21
Vesting Period Start Date	01-Jan-20	01-Jan-20	01-Jan-20
Vesting Period End Date	31-Dec-20	31-Dec-21	31-Dec-22
FinecoBank Share Market Price [€]	14.751	14.751	14.751
Average Economic Value of Vesting conditions [€]	-0.532	-0.895	-1.279
Performance Shares value per share at Grant Date [€]	14.219	13.856	13.472

1.2.4.2 2021 PFA Incentive System

The 2021 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 2021 and the income statement and balance sheet effects will be recognised 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 Bank 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 recognised during the vesting period of the instruments.

	FinecoBank shares granted		
	2018-2020 Long Term Incentive Plan for PFA		
	2023 instalment	2024 instalment	2025 instalment
Bonus Opportunity Economic Value Grant Date	10-Jan-18	10-Jan-18	10-Jann-18
Number of Shares - Date of Board resolution	09-Feb-21	09-Feb-21	09-Feb-21
Vesting Period Start Date	01-Jan-18	01-Jan-18	01-Jan-18
Vesting Period End Date	31-Dec-20	31-Dec-22	31-Dec-23
FinecoBank Share Market Price [€]	14.751	14.751	14.751
Average Economic Value of Vesting conditions [€]	-0.895	-1.279	-1.686
Performance Shares value per share at Grant Date [€]	13.856	13.472	13.065

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 12/31/2021			Total 12/31/2020		
	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	**1,456,175**	**-**	**Oct-22**	**-**	**-**	**-**	**-**	**-**	**-**	**1,456,175**	**-**	**Oct-22**	**2,562,510**	**-**	**Jun-21**
B. Increases	**978,932**	**-**	**X**	**-**	**-**	**X**	**-**	**-**	**X**	**978,932**	**-**	**X**	**204,799**	**-**	**X**
B.1 New issues	978,932	-	Jul-25	-	-	-	-	-	-	978,932	-	Jul-25	204,799	-	Jul-22
B.2 Other increases	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
C. Decreases	**(397,795)**	**-**	X	**-**	**-**	X	**-**	**-**	X	**(397,795)**	**-**	X	**(1,311,134)**	**-**	X
C.1 Cancelled	-	-	X	-	-	X	-	-	X	-	-	X	(1,440)	-	X
C.2 Exercised	(397,795)	-	X	-	-	X	-	-	X	(397,795)	-	X	(1,309,694)	-	X
C.3 Expired	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
C.4 Other changes	-	-	X	-	-	X	-	-	X	-	-	X	-	-	X
D. Closing balances	**2,037,312**	**-**	Jun-24	**-**	**-**	**-**	**-**	**-**	**-**	**2,037,312**	**-**	**Jun-24**	**1,456,175**	**-**	**Oct-22**
E. Vesting options at the end of the year	**266,277**	**-**	X	**-**	**-**	X	**-**	**-**	X	**266,277**	**-**	X	**397,795**	**-**	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 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 12/31/2021		Total 12/31/2020	
	Total	Vested plans	Total	Vested plans
Costs	5,779		5,091	
- connected to Equity Settled Plans	*5,779*		*5,088*	
- connected to Cash Settled Plans	-		*3*	
Sums paid to UniCredit S.p.A. for vested plans		12		12
Sums collected by UniCredit S.p.A. for vested plans		-		-
Payable due to UniCredit S.p.A.	35		47	
Credit accrued towards Unicredit S.p.A.	69		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.

Payables to UniCredit S.p.A. relate to share-based incentive plans of UniCredit S.p.A. that no longer have economic effects.

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 Asset Management DAC carries out asset management activities in Ireland, towards the Italian retail customers and towards institutional customers, mainly resident in Luxembourg and in Ireland.

Information concerning the degree of dependency on main customers is therefore considered by top management as not relevant and is not therefore disclosed.

Part M – Leasing

Section 1 - Lessee

Qualitative information

The leasing contracts that fall within the scope of application of the standard IFRS16 are represented by the lease contracts of the properties used by the Group and by the financial shops used by financial advisors and managed directly by the Bank, in addition to lease contracts for machinery and cars.

The Group is potentially exposed to outgoing financial flows, for variable payments due for leasing (in particular referring to the ISTAT revaluation), not included in the initial valuation of the lease liability.

The Group has determined the duration of the lease, for each individual contract, considering the "non-cancellable" period during which it has the right to use the underlying asset and taking into account all the contractual aspects that can change this duration, including, in particular, the possible presence of:

- periods covered by a right of resolution (with related penalties) or an option to extend the lease to the lessee, the lessor alone, or to both, even at different periods over the duration of the contract;
- periods covered by an option to purchase the underlying asset.

In general, with regard to contracts that provide the option right for the Bank or the subsidiary to automatically renew the lease at the end of an initial contractual period, the duration of lease has determined based on historical experience (in particular for the Bank) and the information available at the date, considering in addition to the non-cancellable period also the period subject to the extension option (first contract renewal period), except for the existence of business plans to dispose of the leased asset as well as clear and documented assessments by the competent Group structures that lead to consider reasonable the failure to exercise the option to renew or exercise the termination option, also taking into account, with particular regard to the financial shops in use by the financial advisors of the Bank, the commercial strategies of recruitment and territorial organization of the network.

The Group has not provided guarantees on the residual value of the leased asset and has no commitments for the stipulation of lease contracts not included in the value of the lease liability recognized in the financial statements.

In accordance with the rules set by the standard, which grants exemptions in this regard, contracts underlying the so-called "Low-value assets" (for which the threshold was set at €5 thousand) mainly consisting of mobile phone rental contracts, all leasing contracts with a contractual duration of 12 months or less (so-called "short term lease") it was decided not to apply the principle to the leasing of intangible assets (mainly represented by software leasing). For these contracts, the related fees are recognized in the income statement on accrual basis for the corresponding duration.

Quantitative information

With regard to the information on the rights of use acquired with the lease, please refer to Part B - Assets - Section 9 - Tangible assets - Item 90 of these notes to the consolidated accounts.

With regard to the information on the lease liabilities, please refer to Part B - Liabilities - Section 1 - Financial liabilities at amortized cost - Item 10 of these notes to the consolidated accounts.

Furthermore, with regard to the information on:

- interest expenses on leasing liabilities, please refer to Part C - Section 1 - Item 20;
- the other charges connected with the rights of use acquired with the lease, please refer to Part C - Section 14 - Net impairments / write-backs on property, plant and equipment - Item 210.

It should be noted that no gains and losses deriving from sale and leaseback transactions have been recorded, as well as income deriving from sub-lease transactions.

Part M – Leasing

The depreciation recognized for the year for right-of-use assets by class of underlying asset is shown below:

(Amounts in € thousand)

Assets	Depreciation 2021	Depreciation 2020
Right of use	**-**	**-**
1. Property, plant and equipment	**(10,866)**	**(11,218)**
1.1 land	-	-
1.2 buildings	(10,600)	(10,963)
1.3 office furniture and fittings	-	-
1.4 electronic systems	-	-
1.5 other	(266)	(255)

As of December 31, 2021, there are no short-term leasing commitments for which the cost has not already been recognized in the income statement for the year 2021.

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 12/31/2021 Lease payments receivables	Total 12/31/2020 Lease payments receivables
Up to one year	731	730
Over one year up to 2 years	731	730
Over 2 years up to 3 years	731	730
Over 3 years up to 4 years	161	730
Over 4 years up to 5 years	40	160
For over 5 years	-	40
Total	**2,394**	**3,120**

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)

	Amounts as at	
Assets	**12/31/2021**	**12/31/2020**
Cash and cash balances = item 10	1,464,182	2,014,399
Financial assets held for trading	20,240	16,997
20. Financial assets at fair value through profit or loss a) financial assets held for trading	*20,240*	*16,997*
Loans and receivables with banks	379,862	526,422
40. Financial assets at amortised cost a) loans and receivables with banks	*5,757,506*	*8,000,280*
less: Financial assets at amortised cost a) loans and receivables with banks - Debt securities	*(5,377,644)*	*(7,473,858)*
Loans and receivables with customers	6,001,596	4,527,837
40. Financial assets at amortised cost b) loans and receivables with customers	*25,138,453*	*20,839,192*
less: Financial assets at amortised cost b) loans and receivables with customers - Debt securities	*(19,136,857)*	*(16,311,355)*
Financial investments	24,560,350	23,939,899
20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	*5,538*	*10,988*
30. Financial asset at fair value through other comprehensive income	*39,017*	*143,698*
70. Equity investments	*1,294*	-
Financial assets at amortised cost a) loans and receivables with banks - Debt securities	*5,377,644*	*7,473,858*
Financial assets at amortised cost b) loans and receivables with customers - Debt securities	*19,136,857*	*16,311,355*
Hedging instruments	125,913	74,451
50. Hedging derivatives	*127,448*	*19,003*
60. Changes in fair value of portfolio hedged financial assets (+/-)	*(1,535)*	*55,448*
Property, plant and equipment = item 90	150,347	151,872
Goodwill = item 100. Intangible assets of which: goodwill	89,602	89,602
Other intangible assets = item 90 net of goodwill	39,084	39,597
Tax assets = item 100	42,974	13,314
Tax credit acquired	508,764	-
Other assets	484,261	360,627
130. Other assets	993,025	360,627
less: Tax credit acquired	*(508,764)*	-
Total assets	**33,867,175**	**31,755,017**

Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

Liabilities and Shareholder's Equity	Amounts as at 12/31/2021	Amounts as at 12/31/2020
Deposits from banks	1,225,213	1,064,859
10. Financial liabilities at amortised cost a) deposits from banks	*1,225,213*	*1,064,859*
Deposits from customers	29,847,722	28,359,739
10. Financial liabilities at amortised cost b) deposits from customers	*29,847,722*	*28,359,739*
Debt securities in issue	497,266	-
10. Financial liabilities at amortised cost c) debt securities in issue	*497,266*	-
Financial liabilities held for trading = item 20	4,417	5,889
Hedging instruments	65,263	232,102
40. Hedging derivatives	*57,313*	*214,388*
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	*7,950*	*17,714*
Tax liabilities = item 60	35,864	13,954
Other liabilities	464,633	391,349
80. Other liabilities	*342,844*	*273,784*
90. Provisions for employee severance pay	*5,033*	*4,924*
100. Provisions for risks and charges	*116,756*	*112,641*
Shareholders' Equity	1,726,797	1,687,125
- capital and reserves	1,351,963	1,366,387
140. Equity instruments	*500,000*	*500,000*
150. Reserves	*650,202*	*664,489*
160. Share premium reserve	*1,934*	*1,934*
170. Share capital	*201,267*	*201,153*
180. Treasury shares (-)	*(1,440)*	*(1,189)*
- revaluation reserves	(5,877)	(2,833)
120. Revaluation reserves of which: financial assets at fair value through other comprehensive income	*410*	*2,379*
120. Revaluation reserves for actuarial net gains (losses) for defined benefit plans	*(6,287)*	*(5,212)*
- net profit = item 200	380,711	323,571
Total liabilities and shareholders' equity	**33,867,175**	**31,755,017**

Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

INCOME STATEMENT	Year 2021	Year 2020
Financial margin	280,030	279,733
of which Net interest	247,889	270,728
30. Net interest margin	*243,149*	*267,671*
+ net commissions on Treasury securities lending	*4,740*	*3,057*
of which Profits from Treasury	32,141	9,005
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*29,243*	*7,235*
+ gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income (unimpaired)	*2,898*	*1,770*
Dividends and other income from equity investments	(26)	-
70. Dividend income and similar revenue	*199*	108
less: dividends from held-for-trading equity instruments included in item 70	*(153)*	*(56)*
less: dividends from mandatorily at fair value equity instruments included in item 70	*(46)*	*(52)*
+ writebacks (write-downs) of investments accounted for using the equity method	*(26)*	-
Net fee and commission income = item 60	450,808	379,351
60. Net fee and commission income	*450,702*	*380,775*
+ other charges/income related to the application of the Fixed Operating Expenses (FOE) model	*4,846*	*1,633*
Less: net commissions on Treasury securities lending	*(4,740)*	*(3,057)*
Net trading. hedging and fair value income	74,308	86,769
80. Gains (losses) on financial assets and liabilities held for trading	*71,643*	*87,678*
90. Fair value adjustments in hedge accounting	*2,505*	*(259)*
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	*(39)*	*(758)*
100. Gains (losses) on disposal or repurchase of: b) financial asset at fv through other comprehensive income	*2,898*	*1,770*
less: Gains (losses) on disposal or repurchase of: b) financial asset at fv through other comprehensive income	*(2,898)*	*(1,770)*
+ dividends from held-for-trading equity instruments included in item 70	*(2,898)*	*(1,770)*
100. Gains (losses) on disposal or repurchase of: c) financial liabilities	-	-
+ dividends from mandatorily at fair value equity instruments included in item 70	*153*	*56*
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*46*	*52*
Net other expenses/income	(1,310)	1,933
230. Other net operating income	*140,813*	111,869
less: other net operating income - of which: recovery of expenses	*(139,471)*	*(110,512)*
less: adjustments of leasehold improvements	*2,194*	*2,209*
less: other charges/income related to the application of the Fixed Operating Expenses (FOE) model	*(4,846)*	*(1,633)*
100. Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost (unimpaired)	*29,243*	*7,235*
less: gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*(29,243)*	*(7,235)*
REVENUES	**803,810**	**747,786**
Staff expenses	(109,600)	(99,546)
190. Administrative expenses - a) staff expenses	*(109,600)*	*(99,546)*
Other administrative expenses	(262,546)	(228,536)
190. Administrative expenses - b) other administrative expenses	*(300,391)*	*(253,132)*
less: contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*40,039*	*26,805*
+ adjustments of leasehold improvements	*(2,194)*	*(2,209)*
Recovery of expenses	139,471	110,512
230. Other net operating income- of which: recovery of expenses	*139,471*	*110,512*
Impairment/write-backs on intangible and tangible assets	(26,218)	(25,440)
210. Impairment/write-backs on property. plant and equipment	*(19,529)*	*(19,683)*
220. Impairment/write-backs on intangible assets	*(6,689)*	*(5,757)*
Operating costs	**(258,893)**	**(243,010)**
Operating profit (loss)	**544,917**	**504,776**
Net impairment losses on loans and provisions for guaranteed and commitments	(1,655)	(3,344)
130. Impairment losses/writebacks on: a) financial assets at amortised cost	*(594)*	*(9,569)*
less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*(1,070)*	*6,241*
130. Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income	*8*	*(15)*
less: impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*(8)*	*15*
140. Profit/loss from contract changes without cancellation	-	*23*
200. Net provisions for risks and charges:a)provision for credit risk of commitments and financial guarantees given	*9*	*(39)*
Net operating profit (loss)	**543,262**	**501,432**
Other charges and provisions	(49,938)	(34,076)
200. Net provisions for risks and charges b) other net provision	*(9,899)*	*(7,271)*
+ contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*(40,039)*	*(26,805)*
Net income from investments	1,079	(6,262)
+ impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*1,070*	*(6,241)*
+ impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*8*	*(15)*
250. Profit (loss) on equity investments	*(26)*	-
Less: Profit (loss) on equity investments	*26*	-
280. Gains (losses) on disposal of investments	*1*	*(6)*
Income tax for the year = item 300	(113,692)	(137,523)
Net profit (loss) after tax from continuing operations	**380,711**	**323,571**
Profit (loss) for the year	**380,711**	**323,571**

Reconciliation of condensed consolidated accounts to mandatory reporting schedule

As described in the section "Condensed Financial Statements and Ratios" in the “Consolidated Report on Operations”, in 2021, certain costs related to the activities of financial advisors and related to services that are part of the normal banking activities offered to clients (in particular distribution and management of financial products) were reclassified under item 50. "Fee and commission expenses" from item 190. "Administrative expenses", in order to provide a better representation of both the item "Operating income" ("Revenues" in the condensed income statement) and the item "Operating costs". For the sake of consistency of comparison, the comparative figures shown in the reclassified financial statements presented in the Consolidated Report on Operations have been reclassified, so item 60. "Net commissions" and item 190. "Administrative expenses - b) other administrative expenses" relating to the comparative year 2020, shown in the table above, include the above reclassification in the amount of €26.6 million.

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 24, 1998, do hereby certify:

- the adequacy in relation to the Company's features and
- the actual application

of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the year ended December 31, 2021.

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 19, 2002;
b) correspond to the results of the books and accounting records;
c) are suitable to provide a fair and correct representation of the financial position and performance of the issuer and the group of companies included in the scope of consolidation;

3.2. The 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 15, 2022

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

FinecoBank S.p.A.
The Manager Responsible for Preparing
the Company's Financial Reports
Lorena Pelliciari

Deloitte.

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
FinecoBank Banca Fineco S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of FinecoBank Group (the "Group"), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity and the consolidated statement of cash flows for the year then ended and the related notes to the consolidated accounts.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and art. 43 of Italian 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 *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the FinecoBank Banca Fineco S.p.A. (the "Bank") in accordance with the ethical requirements applicable under Italian law to the audit of the 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimate of provisions for risks and charges related to legal disputes	
Description of the key audit matter	As represented in the notes of the consolidated account, Part B – *Consolidated Balance* Sheet - Section 10 of the Liabilities - *Provisions for risks and charges,* item 100 "Provisions for risks and charges: c) other provisions for risks and charges" of the consolidated balance sheet - liabilities as at December 31, 2021 includes provisions for legal disputes amounting to Euro 24.6 million related to complaints and disputes for damage to customers arising from the unlawful behavior of the Bank's personal financial advisors, pending disputes with personal financial advisors and other ongoing court and out-of-court litigations with customers in relation to the normal banking activity. In Part E – *Information on Risks and relating Hedging Policies* - Section 1.5 – *Operational Risks* of the notes to the consolidated accounts, in paragraph "Risks arising from significant legal disputes", the Directors point out that, in relation to the pending legal proceedings against the Group, only referred to the Bank, which are individually irrelevant, there is uncertainty about the possible outcome and the extent of the possible charge that the Bank could incur; where it is possible to reliably estimate the amount of charges and the charges themselves are considered probable, provisions have been made to the extent deemed appropriate given the specific circumstances and in accordance with the international accounting standards, making the best possible estimate of the amount that reasonably the Group will have to pay to settle its obligations. Paragraph "*Risks and uncertainties related to the use of estimates*" of Part A – *Accounting Policies*, A. 1 – *General*, Section 5 – *Other matters* of the notes to the consolidated accounts, contains information on the subjectivity and complexity of the estimation process adopted to support the carrying amount of some items subject to evaluation. For some of them, including provisions for risks and charges, the complexity and the subjectivity of the estimates are affected by the articulation of the assumptions, the number and variability of the available information and the uncertainties regarding the final future outcomes of proceedings, disputes and litigations. Given the number of complaints and disputes, albeit physiological with respect to the Bank's typical operations, and the complexity and articulation of the estimation process, considered the uncertainties related to their outcome, we have considered the estimate of provisions for risks and charges for legal disputes as a key audit matter of the consolidated financial statements of the Group as at December 31, 2021.
Audit procedures performed	Our audit procedures included, among others, the following: • analysis and understanding of the relevant controls implemented by the Bank, in order to identify, manage and monitor complaints from customers and legal disputes with them arising from the banking operations and the activity of the Bank's personal financial advisors; • analysis and understanding of the process adopted by the Management in

estimating provisions and evaluation of the reasonableness of criteria, methods and assumptions used;
- periodic meetings with the heads of the Bank's appointed departments for analysis and discussion of the status of pre-litigation, litigations and complaints;
- analysis of the relevant documentation, including the register of complaints and reports prepared by control functions of the Bank;
- obtaining and examining responses to requests for information to the legal advisors appointed by the Bank;
- verification, for a selection of disputes and complaints, on the basis of the data and information available gathered as a result of the above procedures, of the appropriateness of the related provision and of the accuracy and completeness of the data used for the estimates.

Lastly, we verified the completeness and compliance of the disclosures provided in the notes to the consolidated accounts with respect to the requirements of the relevant accounting standards.

Disbursement, classification and evaluation of financial assets at amortised cost - loans to customers

Description of the key audit matter

As represented in the notes to the consolidated accounts, Part B – *Consolidated Balance Sheet* - Section 4 of the Assets - *Financial assets at amortised cost*, and in the report on operations, as at December 31, 2021 financial assets at amortised cost – loans to customers amount to Euro 6,002 million (net book value) and include Euro 24.5 million of non-performing loans net of impairment losses of Euro 20.2 million.

Part A – *Accounting Policies* of the notes to the consolidated accounts includes the description of the processes for the classification and evaluation of credit exposures for which the Bank refers to the sector regulations, supplemented by the internal provisions governing, in accordance with the applicable accounting standards, the classification and transfer rules within the various risk categories and related evaluation methods. The Bank also considered all relevant factors, including the continuing COVID-19 pandemic and its effects on the real economy. In addition, there is the ongoing conflict between Russia and Ukraine, which has triggered an international crisis whose outcome is currently unpredictable. Part E - *Information on Risks and relating Hedging Policies* – Section 2 – Risk of the prudential consolidated perimeter of the notes to the consolidated accounts, paragraph 1.1 – *Credit risk* also illustrates the credit risk management policies. At this regard, the Bank adequately considered the uncertainty resulting from COVID-19 pandemic and the adoption of the supporting measures introduced by the Government, in the form of legislative and non-legislative moratoria.

Considering the significance of the amount of loans to customers recorded in the consolidated financial statements and the increased complexity of processes of measurement, management and control of credit risk adopted by the Bank, taking into account also the uncertainty associated with current macroeconomic scenario, we have considered the disbursement, classification and evaluation of the loans to customers as a key audit matter of the consolidated financial statements as at December 31, 2021.

Audit procedures performed	We have preliminarily acquired a knowledge of the credit process which included, in particular, the understanding of the organizational and procedural safeguards established by the Bank's internal regulations and implemented by the Bank itself with reference to: • assessment of creditworthiness in order to grant the credit; • measurement and monitoring of credit quality; • classification and evaluation of credit exposures in compliance with the sector regulations and in accordance with applicable accounting standards. This activity included the verification of the implementation of the corresponding Bank processes and related procedures, as well as the operational effectiveness of the relevant controls regarding the credit grant, disbursement, measurement and monitoring process. The audit procedures, performed also with the support of specialists belonging to our network where deemed appropriate, included, among others, the following: • analysis and understanding of the IT systems and applications used; • obtaining and examining responses to requests of confirmations to the customers sent on a sample basis; • obtaining and analysis of the monitoring reports prepared by competent Bank departments and organizational units involved; • as regard performing loans (in stage 1 and stage 2, based on the IFRS 9 classification), verification, on a sample basis, of the classification in accordance with the sector regulations and examination of the reasonableness of the evaluation criteria and of the assumptions adopted by the Bank in determining the impairment losses, also considering the complexity and the uncertainties associated with the current macroeconomic context resulting from the continuing pandemic emergency; • as regard non-performing loans (in stage 3, based on the IFRS 9 classification), verification on a sample basis of the classification and of the related evaluation in compliance with the sector regulations and the applicable accounting standards. Lastly, we verified the completeness and compliance of the disclosures provided in the notes to the consolidated accounts with respect to the requirements of the applicable accounting standards and the relevant legislation as well as the communications issued by the Supervisory Authorities following the COVID-19 pandemic emergency.

Responsibilities of the Directors and the Board of Statutory Auditors 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 International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the FinecoBank Banca Fineco S.p.A. or the termination of the business or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements. As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism 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 management's 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 auditor's 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 auditor's 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 an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of FinecoBank Banca Fineco S.p.A. has appointed us on April 16, 2013 as auditors of the Bank for the years from December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of FinecoBank Banca Fineco S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.
We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of FinecoBank Banca Fineco S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of the Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, paragraph 4 of Legislative Decree 58/98 with the consolidated financial statements of the Group as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Group as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of FinecoBank Banca Fineco S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Grazioli
Partner

Milan, Italy
March 31, 2022

As disclosed by the Directors on page 10, the accompanying consolidated financial statements of FinecoBank Group constitute a version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Balance Sheet

(Amounts in €)

Assets		12/31/2021	12/31/2020
10.	Cash and cash balances	1,442,790,535	2,006,347,220
20.	Financial assets at fair value through profit and loss	25,661,887	27,574,467
	a) financial assets held for trading	20,240,202	16,996,424
	c) other financial assets mandatorily at fair value	5,421,685	10,578,043
30.	Financial assets at fair value through other comprehensive income	39,017,482	143,697,980
40.	Financial assets at amortised cost	30,868,131,953	28,816,986,654
	a) loans and receivables with banks	5,747,507,499	7,988,281,129
	b) loans and receivables with customers	25,120,624,454	20,828,705,525
50.	Hedging derivatives	127,448,133	19,003,017
60.	Changes in fair value of portfolio hedged financial assets (+/-)	(1,535,050)	55,447,626
70.	Equity investments	4,294,450	3,000,000
80.	Tangible assets	149,506,272	150,882,841
90.	Intangible assets	128,580,207	129,039,673
	- goodwill	89,601,768	89,601,768
100.	Tax assets	42,954,537	13,302,656
	a) current tax assets	-	5,165,489
	b) deferred tax assets	42,954,537	8,137,167
120.	Other assets	992,710,409	359,809,201
	Total assets	**33,819,560,815**	**31,725,091,335**

The comparative figures as at 31 December 2020 relating to item 10. "Cash and cash balances" and item 40. "Financial assets at amortised cost a) loans and receivables with banks" were restated in order to incorporate the changes introduced by the 7th update of 29 October 2021 of Bank of Italy Circular 262, which provides for the recognition of current accounts and sight deposits with banks under item 10. "Cash and cash balances". In the 2020 Financial Statements, the aforementioned on-demand receivables had been recognised under item 40. "Financial assets at amortised cost a) loans and receivables with banks" in the amount of € 246,000 thousand (for further details, please refer to Part A - Accounting policies of the notes to the accounts).

Balance Sheet

(Amounts in €)

Liabilities and shareholders' equity		12/31/2021	12/31/2020
10.	Financial liabilities at amortised cost	31,558,409,675	29,415,181,058
	a) deposits from banks	1,225,213,009	1,064,859,423
	b) deposits from customers	29,835,930,648	28,350,321,635
	c) debt securities in issue	497,266,018	-
20.	Financial liabilities held for trading	4,417,302	5,888,894
40.	Hedging derivatives	57,313,456	214,388,013
50.	Changes in fair value of portfolio hedged financial liabilities (+/-)	7,949,695	17,713,507
60.	Tax liabilities	34,647,391	13,323,845
	a) current tax liabilities	34,647,391	9,574,115
	b) deferred tax liabilities	-	3,749,730
80.	Other liabilities	336,402,937	269,959,811
90.	Provisions for employee severance pay	5,033,318	4,924,424
100.	Provisions for risks and charges:	116,755,692	112,640,031
	a) commitments and guarantees given	51,695	60,888
	c) other provisions for risks and charges	116,703,997	112,579,143
110.	Revaluation reserves	(5,876,807)	(2,832,700)
130.	Equity instruments	500,000,000	500,000,000
140.	Reserves	634,146,386	648,883,874
150.	Share premium	1,934,113	1,934,113
160.	Issued capital	201,266,924	201,152,834
170.	Treasury shares (-)	(1,440,090)	(1,189,355)
180.	Net Profit (Loss) for the year (+/-)	368,600,823	323,122,986
	Total liabilities and Shareholders' equity	**33,819,560,815**	**31,725,091,335**

Income statement

(Amounts in €)

Items		2021	2020
10.	Interest income and similar revenues	250,597,941	278,307,256
	of which: interest income calculated using the effective interest method	269,371,016	293,887,247
20.	Interest expenses and similar charges	(7,123,299)	(10,388,689)
30.	**Net interest margin**	**243,474,642**	**267,918,567**
40.	Fee and commission income	746,203,871	627,145,715
50.	Fee and commission expenses	(388,824,481)	(287,544,346)
60.	**Net fee and commission**	**357,379,390**	**339,601,369**
70.	Dividend income and similar revenues	61,773,063	52,166,800
80.	Gains (losses) on financial assets and liabilities held for trading	71,641,287	87,611,280
90.	Fair value adjustments in hedge accounting	2,504,968	(259,363)
100.	Gains and losses on disposal or repurchase of:	32,141,609	9,004,518
	a) financial assets at amortised cost	29,243,405	7,234,704
	b) financial assets at fair value through other comprehensive income	2,898,204	1,769,814
110.	Gains (losses) on financial assets and liabilities at fair value through profit or loss	(46,104)	(786,089)
	b) other financial assets mandatorily at fair value	(46,104)	(786,089)
120.	**Operating income**	**768,868,855**	**755,257,082**
130.	Impairment losses/writebacks on:	(585,610)	(9,573,528)
	a) financial assets at amortised cost	(593,768)	(9,558,679)
	b) financial assets at fair value through other comprehensive income	8,158	(14,849)
140.	Profit/loss from contract changes without cancellation	(202)	22,613
150.	**Net profit from financial activities**	**768,283,043**	**745,706,167**
160.	Administrative expenses:	(397,087,672)	(370,552,067)
	a) staff expenses	(101,446,560)	(95,020,884)
	b) other administrative expenses	(295,641,112)	(275,531,183)
170.	Net provisions for risks and charges	(9,889,502)	(7,310,385)
	a) provision for credit risk of commitments and financial guarantees given	9,193	(39,470)
	b) other net provision	(9,898,695)	(7,270,915)
180.	Impairment/write-backs on property, plant and equipment	(19,323,936)	(19,488,604)
190.	Impairment on intangible assets	(6,635,831)	(5,703,724)
200.	Other operating income/charges	136,388,110	110,448,575
210.	**Operating costs**	**(296,548,831)**	**(292,606,205)**
220.	Profit (Loss) on equity investments	(26,497)	-
250.	Gains and losses on disposals on investments	992	(6,232)
260.	**Total profit or loss before tax from continuing operations**	**471,708,707**	**453,093,730**
270.	Tax expense (income) related to profit or loss from continuing operations	(103,107,884)	(129,970,744)
280.	**Total profit (loss) after tax from continuing operations**	**368,600,823**	**323,122,986**
300.	**Profit (loss) for the year**	**368,600,823**	**323,122,986**

The comparative figures for the 2020 financial year relating to the item "of which: interest income calculated with the effective interest method" have been restated in line with the change made to the Balance Sheet mentioned above. In the 2020 Financial Statements, interest accrued on demand loans to banks had been recognised under the item "of which: interest income calculated with the effective interest method" in the amount of €370 thousand (for more details, see Part A - Accounting policies of the notes to the accounts).

	2021	2020
Earnings per share (euro)	0.60	0.53
Diluted earnings per share (euro)	0.60	0.53

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 €)

Items		Total 2021	Total 2020
10.	**Profit (Loss) of the year**	**368,600,823**	**323,122,986**
	Other income components net of taxes without reversal to the income statement		
70.	Defined benefit plans	(1,075,780)	(3,053,943)
	Other comprehensive income after tax with reclassification through profit or loss		
140.	Financial assets (other equity securities) designated at fair value through other comprehensive income	(1,968,529)	(780,559)
160.	**Valuation reserves from investments accounted for using the equity method**	**202**	**-**
170.	**Total other comprehensive income net tax**	**(3,044,107)**	**(3,834,502)**
180.	**Comprehensive income (item 10+170)**	**365,556,716**	**319,288,484**

Statement of changes in shareholders' equity

Statement of changes in shareholders' equity at 12/31/2021

(Amounts in €)

	Balance as at 12/31/2020	Change in opening balance	Balance as at 01/01/2021	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	Shareholders' equity transactions: Purchase of own shares	Shareholders' equity transactions: Distributions of extraordinary dividends	Shareholders' equity transactions: Changes in equity instruments	Shareholders' equity transactions: Own share derivatives	Shareholders' equity transactions: Stock options	Shareholders' equity transactions: Changes in ownership interests	Comprehensive income exercise 2021	Shareholders' equity exercise 2021
Share capital:															
- ordinary shares	201,152,834		201,152,834				114,090								201,266,924
- other shares															
Share premium reserve	1,934,113		1,934,113												1,934,113
Reserves:															
- from profits	617,700,528		617,700,528	323,122 ,986		(19,708,434)			(323,246,878)			(114,090)			597,754,112
- others	31,183,346		31,183,346									5,209,928			36,392,274
Revaluation reserves	(2,832,700)		(2,832,700)											(3,044,107)	(5,876,807)
Equity instruments	500,000,000		500,000,000												500,000,000
Treasury shares	(1,189,355)		(1,189,355)				569,722	(820,457)							(1,440,090)
Profit (loss) for the year	323,122,986		323,122,986	(323,122 ,986)										368,600,823	368,60,823
Shareholders' Equity	1,671,071,752	-	1,671,071,752	-	-	(19,708,434)	683,812	(820,457)	(323,246,878)	-	-	5,094,838	-	365,556,716	1,698,631,349

The Shareholders' Meeting of 28 April 2021 approved the allocation of the entire profit for the 2020 financial year to reserves, as proposed by the Board of Directors on 9 February 2021.
The column "Distribution of extraordinary dividends" includes the distribution of the unit dividend of €0.53 paid on 24 November 2021, approved by the Shareholders' Meeting of 21 October 2021 as proposed by the Board of Directors on 3 August 2021.
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 shareholders' equity at 12/31/2020

(Amounts in €)

	Balance as at 12/31/2019	Change in opening balance	Balance as at 01/01/2020	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	Shareholders' equity transactions: Purchase of own shares	Shareholders' equity transactions: Distributions of extraordinary dividends	Shareholders' equity transactions: Changes in equity instruments	Shareholders' equity transactions: Own share derivatives	Shareholders' equity transactions: Stock options	Shareholders' equity transactions: Changes in ownership interests	Comprehensive income exercise 2020	Shareholders' equity exercise 2020
Share capital:															
- ordinary shares	200,941,488		200,941,488				211,346								201,152,834
- other shares															
Share premium reserve	1,934,113		1,934,113												1,934,113
Reserves:															
- from profits	351,801,917		351,801,917	285,891,403		(19,781,446)						(211,346)			617,700,528
- others	32,656,666		32,656,666									(1,473,320)			31,183,346
Revaluation reserves	1,001,802		1,001,802											(3,834,502)	(2,832,700)
Equity instruments	500,000,000		500,000,000												500,000,000
Treasury shares	(7,351,109)		(7,351,109)				6,561,514	(399,760)							(1,189,355)
Profit (loss) for the year	285,891,403		285,891,403	(285,891,403)										323,122,986	323,122,986
Shareholders' Equity	1,366,876,280	-	1,366,876,280	-	-	(19,781,446)	6,772,860	(399,760)	-	-	-	(1,684,666)	-	319,288,484	1,671,071,752

The "Reserves" column includes the 2019 profit of FinecoBank S.p.A.. It should be noted that, in full compliance with the reference legislation, the indications of the Supervisory Authorities and the best consolidated practice on the matter, the Board of Directors of 6 April 2020 decided to revoke the proposal for the distribution of a dividend of € 0.32 per unit for a total of € 195,052,000 approved by the Board of Directors on February 11, 2020, resolving to propose to the ordinary Shareholders 'Meeting convened for April 28, 2020 the allocation to reserves of the profit for the year 2019. The ordinary Shareholders' Meeting convened for on April 28, 2020 it therefore approved the aforementioned proposal.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.
The "Changes in reserves" column includes the coupons paid on equity instruments net of related taxes and the transaction costs directly attributable to the issue of Equity instruments net of related taxes.

Cash flows statement

Indirect method

(Amounts in €)

A. OPERATING ACTIVITIES	Amount 2021	Amount 2020
1. Operations	**514,065,180**	**523,982,568**
- profit (loss) for the year (+/-)	368,600,823	323,122,986
- capital gains/losses on financial assets held for trading and on assets designated at fair value through profit and loss (-/+)	188,613	1,573,474
- capital gains/losses on hedging accounting (+/-)	(1,042,803)	743,637
- net losses/recoveries on impairment (+/-)	3,442,988	10,540,043
- net value adjustments/write-backs on property, plant and equipment and intangible assets (+/-)	25,959,767	25,192,328
- net provisions for risks and charges and other expenses/income (+/-)	22,523,926	18,428,328
- unpaid duties, taxes and tax credits (+/-)	26,349,920	1,750,730
- disposal groups classified as held for sale (+/-)	-	-
- other adjustments (+)	68,041,946	142,631,042
2. Cash flows from/used by financial assets	**(2,998,880,948)**	**(2,768,441,188)**
- financial assets held for trading	(4,872,054)	(6,665,305)
- financial assets designated at fair value	-	-
- other financial assets mandatorly valued at fair value	4,764,020	(18,801)
- financial assets valued at fair value with impact on total profitability	100,275,767	174,589,937
- financial assets at amortized cost	(2,471,394,261)	(2,915,710,459)
- other assets	(627,654,420)	(20,636,560)
3. Cash flows from/used by financial liabilities	**2,194,623,848**	**3,262,209,119**
- financial liabilities measured at amortized cost	2,143,327,683	3,348,332,689
- financial liabilities held for trading	360,700	(1,059,751)
- financial liabilities designated at fair value	-	-
- other liabilities	50,935,465	(85,063,819)
Net cash flows from/used in operating activities	**(290,191,920)**	**1,017,750,499**
B. INVESTMENT ACTIVITIES		
1. Cash flows from	**61,574,199**	**52,059,924**
- sales of equity investments	-	-
- collected dividends on equity investments	61,574,199	52,059,183
- sales of property, plant and equipment	-	741
- sales of intangible assets	-	-
- sales of divisions	-	-
2. Cash flows used in	**(15,798,870)**	**(29,320,454)**
- purchases of equity investments	(1,320,744)	-
- purchases of property, plant and equipment	(8,301,761)	(21,458,435)
- purchases of intangible assets	(6,176,365)	(7,862,019)
- purchases of divisions	-	-
Net cash flows from/used in investing activities	**45,775,329**	**22,739,470**
C. FUNDING ACTIVITIES		
- issue/purchase of treasury shares	(136,645)	6,373,100
- issue/purchase of equity instruments	-	-
- dividends and other distributions	(343,639,123)	(26,554,306)
Net cash flows from/used in financing activities	**(343,775,768)**	**(20,181,206)**
NET CASH FLOWS FROM/USED DURING THE YEAR	**(588,192,359)**	**1,020,308,763**

Cash flows statement

RECONCILIATION

(Amounts in €)

Balance sheet items	Amount	
	2021	2020
Cash and cash balances at the beginning of the period	2,006,419,033	998,634,444
Net cash flows generated/used during the period	(588,192,359)	1,020,308,763
Cash and cash balances: effect of changes in exchange rates	24,596,876	(12,524,174)
Cash and cash balances at the end of the period	1,442,823,550	2,006,419,033

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.

The comparative figures for the 2020 financial year have been restated in line with the amendment to the balance sheet template mentioned above. Specifically, in the 2020 Financial Statements, the item "Cash and cash equivalent at the beginning of the exercise" and the item "Cash and cash equivalents at the end of the exercise" were recognised net of the cash equivalent liabilities recognised in liability item 10. "Financial liabilities at amortised cost: a) Deposits from banks" for an amount of € 70,396 thousand and € 43,317 thousand, respectively. Consequently, item "3. Liquidity generated absorbed by for financial liabilities - financial liabilities valued at amortised cost" and item "Net liquidity generated/absorbed in the exercise" were also restated.

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 28, 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 19, 2002 and applicable to financial reports for the periods starting on or after January 1, 2021.

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 22, 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.

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, with particular reference to the representation of the effects deriving from the COVID-19 pandemic and their impact on the valuation processes;
- 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 solely 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 22 December 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.

With reference to Circular 262 " Bank financial statements: layouts and preparation" of 22 December 2005, it should be noted that on 29 October 2021 the Bank of Italy issued the 7th update, applicable to financial statements closed or in progress as at 31 December 2021, with which changes were made that mainly concern the presentation in the financial statements:

Part A – Accounting policies

- of the balance sheet item "Cash and cash balances", in which all on-demand claims, in the technical forms of current accounts and deposits, on banks and central banks are recognised (with the exception of the compulsory reserve), while previously only on-demand deposits with central banks were recognised. Consequently, in the balance sheet item "Financial assets at amortised cost" only loans to banks and central banks other than on demand are now recognised, and in the income statement the item "Impairment losses/writebacks" has been adjusted to include net credit risk adjustments/write-backs on loans to banks and central banks on demand reported under the above item "Cash and cash balances". In addition, the quantitative disclosure on credit quality in the notes to the financial statements specifies that on-demand loans to banks and central banks fall within the definition of cash credit exposures, but are conventionally excluded from the tables in the Credit risk section of Part E - Information on Risks and relating hedging policies, except where expressly indicated that they should be considered (see the disclosure in the Credit risk section of the notes to the accounts for further details);
- impaired financial assets acquired or originated, which have been excluded from the credit risk stage allocation disclosure and recognised separately. Consistently, the composition table of "Impairment losses/writebacks" and "Profit (loss) from discontinued operations, net of tax" for financial assets classified as "assets held for sale" and "discontinued operations", respectively, in accordance with IFRS 5, have been adjusted to include a breakdown by level of credit risk, with separate disclosure of adjustments and reversals for stage one and stage two risks, and by "impaired acquired or originated";
- of intangible assets, for which specific evidence is required in the notes to the accounts of software that does not constitute an integral part of hardware under IAS 38, both with reference to the table of composition of "Intangible assets" and with reference to the relative table of "Impairment/write-backs on intangible assets";
- of the information detailing fee and commission income and expenses reported in the notes to the accounts;
- contributions to the resolution fund and deposit guarantee schemes, for which separate disclosure is required in the relevant items in the tables of the notes.

The amendments also incorporate the changes introduced by the amendments to IFRS 7 on disclosures on financial instruments, endorsed by Regulation (EU) 2021/25 of 13 January 2021, effective from 1 January 2021, which takes into account the new disclosure requirements in relation to the reform of reference indices for determining interest rates on financial instruments. On this occasion, the Bank of Italy has incorporated some indications provided through previous communications and therefore already included in the financial statement disclosures.

For the sake of uniformity of comparison, comparative figures for 2020 have been restated, where applicable. It should also be noted that, as at 31 December 2021, the Bank did not have any "impaired financial assets acquired or originated".

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.

These criteria have changed in part with respect to the previous year also relating to the introduction of new standards and interpretations in force on 1 January 2021, for further details please see the modifications described section 4 " Other matters", and in Part "A.2 – The main items of the accounts". In particular:

- with regard to hedging transactions, as of 1 January 2021, the Group decided to apply the hedge accounting rules set out in IFRS 9, replacing IAS 39, with the exception of transactions hedging the fair value of the interest rate exposure of a portfolio of financial assets or liabilities (so-called "Macro Hedge Accounting"), for which it continues to apply the hedge accounting provisions of IAS 39, as set out in IFRS 9 paragraph 6.1.3. For further details, see the following paragraph "The main items of the accounts";
- in 2021, certain costs associated with the activities of financial advisors and related to services that are part of normal banking activities (in particular the distribution and management of financial products) were reclassified to item 50. "Fee and commission expenses" from item 160. "Administrative expenses", in order to provide a better representation of both item 120. "Operating income", and item 210. "Operating costs". No reclassification has been made to the comparative data shown in the Financial Statements included in this report. In this regard, it should be noted that these costs, recognised as at 31 December 2021 in item 50. "Fee and commission expenses", amounted to € 32,470 thousand, while in the comparative figures as at 31 December 2020 they were recognised in item 160. "Administrative expenses" for a total of €26,572 thousand.

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.

Part A – Accounting policies

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 31, 2021.

On 24 February 2022, a military operation by Russia in Ukraine began, triggering a military conflict and an international crisis. For further details on this, please refer to the section "Subsequent events and outlook" in the Consolidated report on operation.

The Separate Financial Statements at December 31, 2021 were approved by the Board of Directors of March 15, 2022, which authorised their publication also pursuant to IAS10.

Section 4 - Other Matters

During 2021, the following accounting standards, amendments and interpretations, approved by the European Commission, become effective for reporting periods beginning on or after January 1, 2021 (1 April 2021 or later for EU Regulation 2021/1421, with early application possible):

- Amendments to IFRS 4 Insurance Contracts – Extension of the temporary exemption from the application of IFRS 9 (EU Reg. 2020/2097)
- Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (EU Reg. 2021/25)
- Amendments to IFRS 16 Leases: Lease Arrangements related to the Covid-19 Outbreak after 30 June 2021 (EU Reg. 2021/1421)

Where applicable, these accounting standards, amendments and interpretations had no relevant impact on the financial statements as at December 31, 2021.

In particular, with reference to Regulation (EU) 2021/25, which implements the document "Reform of the reference indices for determining interest rates - phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16", published by the IASB on 27 August 2020, the main changes introduced concern the possible accounting impacts, in terms of representing changes to existing contracts and accounting hedges, resulting from the application of the new rates (the so-called replacement issue). In detail, the Regulation clarifies that the changes as a result of the IBOR Reform relating to the replacement of the existing IBOR rate with the new Risk Free Rate must not constitute a derecognition event under IFRS 9, but also in a similar way in the application of IFRS 16 to leasing contracts, introducing to this end a practical expedient that makes it possible to represent these changes, if made as a direct consequence of the IBOR Reform and on equivalent economic bases, with a prospective adjustment of the effective interest rate, with impacts on the interest margin of future periods. With regard to hedge accounting, certain exceptions to IAS 39 and IFRS 9 have been introduced that allow discontinuing following the update of the documentation on the hedging relationship (for the change in the hedged risk, the underlying hedged item or the hedging derivative or the method of verifying hedge's effectiveness) if a direct consequence of the IBOR Reform and carried out on an equivalent economic basis. For further details on the impact on the Bank of the reform of the reference indices, please refer to the section "Additional information on the reform of the reference indices for determining interest rates".

It should also be noted that as of 1 January 2021, the regulations relating to the "New definition of default" (EU Regulation 2018/171 and EBA Guidelines 2016/07) came into force, which establishes more restrictive criteria and methods for classifying credit exposures at default than those adopted to date by Italian intermediaries, with the aim of harmonising the approaches for applying the definition of default and identifying the conditions of unlikely fulfilment among financial institutions and the different jurisdictions of EU countries.

The main changes include:

- the change to the materiality threshold that contributes, together with days past due (90 days), to determining the classification of exposures to default. This threshold consists of:
  - an absolute component of €100 for retail customers and €500 for all other types of exposure;
  - a relative component, represented by the percentage expressing the ratio between the amount of the credit obligation in arrears and the total amount of all exposures to the same debtor; the percentage adopted by the Bank of Italy and by the European Central Bank is 1%;
- the introduction of a cure period of three months for the reclassification as performing of debtors previously classified as non-performing;
- the introduction of a prohibition on offsetting past due amounts against any credit lines not used by the debtor.

The introduction of the "New definition of default" did not have any significant effects on the Bank's exposures. In detail, as of 1 January 2021, FinecoBank recorded an increase in impaired cash exposures of €271 thousand.

In addition, at 31 December 2021, the following accounting standards had been endorsed and are applicable for annual periods beginning after 2021:

- Amendments to IAS 16 Property, Plant and Equipment, Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Amendments to IFRS 3 Business Combinations and Annual IFRS Improvements Cycle 2018-2020 (EU Reg. (EU) 2021/1080), applicable at the latest from 1 January 2022;
- IFRS 17 - Insurance Contracts (EU Reg. 2021/2036), applicable at the latest from 1 January 2023.

Part A – Accounting policies

Finally, at 31 December 2021, the IASB had issued the following standards and accounting interpretations or revisions thereof, the application of which is, however, still subject to the completion of the endorsement process by the competent bodies of the European Union, which is still underway:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current - Deferral of Effective Date (January 2020 and July 2020, respectively);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (February 2021):
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (February 2021);
- Amendments to IAS 12 Income Taxes: Deferred tax relating to assets and liabilities arising from a single transaction (May 2021);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9: Comparative Information (December 2021).

The possible effects of the future adoption of these standards, interpretations and amendments, to the extent that they are applicable and relevant to the 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.

Finally, with reference to the impact of the Ukrainian crisis, it should be noted that the European Securities and Markets Authority (ESMA) published, on March 14, 2022, a Public Statement ("ESMA71-99-1864") which contains recommendations, addressed to listed companies and other supervised issuers, on the information to be disclosed when approving the 2021 financial statements and subsequent financial reports.

Additional disclosures relating to the reform of the reference indices for determining interest rates

With regard to the reform of the reference indices for determining interest rates, at the date of these financial statements there were no significant impacts or changes in the risk management strategy, as the Group, specifically the Parent Company, had already activated the transition process to the new reference indices in 2020, which was completed in 2021.

With reference to retail customers, during 2021 the Bank continued to offer its existing credit products to its customers by replacing, with a specific contractual amendment, the LIBOR index used for the relative remuneration with alternative reference rates, commonly used by market operators. With reference to multicurrency current accounts, it should be noted that the LIBOR index has been replaced as of 1 April 2021.

With regard to transactions with institutional counterparties, the Bank had already adhered to the Benckmark Supplement protocol and Ibor Fallbacks protocol in 2020. With regard to derivative transactions carried out through clearing houses, which provide for the exchange of the fixed rate against Euribor and the valuation of which, since they are collateralised, is carried out by discounting future flows with the OIS curve, on 27 July 2020, as a result of the reform carried out by the European Money Markets Institute (EMMI) and in line with the clearing houses (Eurex\LCH) used by FinecoBank, the Eonia rate of the OIS curve was replaced by the €STR rate, anticipating the divestment of the Eonia rate in 2021. Finally, during 2021, the Bank renegotiated some bilateral derivative contracts, replacing the EONIA rate with the €STR rate.

Actions taken by Central Banks as a result of the COVID-19 pandemic

With reference to the Central Banks' actions as a result of the COVID-19 pandemic, please refer to what is described in the paragraph " Actions taken by Central Banks as a result of the COVID-19 pandemic" in Part A - Accounting policies - Section 5 - Other aspects of the notes to the consolidated accounts.

Documents supporting the application of accounting standards in relation to COVID-19 impacts, issued by the European Authorities/Standard setters

With reference to the indications and measures issued by the European Authorities/Standard setters in relation to the impact of COVID-19 on accounting aspects, reference should be made to the paragraph " Documents supporting the application of accounting standards in relation to COVID-19 impacts, issued by the European Authorities/Standard setters" reported in Part A - Accounting policies - Section 5 - Other aspects of the notes to the consolidated accounts.

Risks, uncertainties and impacts of the COVID-19 pandemic

In the section “Events during the period” reported in the Consolidated Report on Operations, which should be referred to for additional details, FinecoBank provided information on the impacts and current and future risks for the Group resulting from the COVID-19 pandemic, specifying that, from a forward-looking perspective, it does not expect to see a substantial impact on its strategic orientation, objectives or business model, which in fact will come out stronger, nor does it estimate an overall impact on performance thanks to the Group’s and Bank’s diversified sources of revenues. Despite this context of uncertainty and difficult forecasting, the Group's business model appears to be diversified and well-balanced: in fact, the Group can rely on a business model whose revenue sources are widely diversified and which allow it to deal with complex stress situations such as the current one. The FinecoBank's revenues are based on three main components (banking, brokerage and investing), which tend to have uncorrelated trends in times of crisis.

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

In the application of IFRS, and irrespective of the crisis generated by the COVID-19 pandemic, management is required to make judgements, estimates and assumptions about the carrying amounts of certain assets and liabilities as well as the information regarding potential assets and liabilities. The estimates and related assumptions, detailed in the section below, are based on previous experience and other factors considered reasonable under the circumstances and have been used to estimate the carrying amounts of assets and liabilities not readily available from other sources. At December 31st, 2021, these estimates may be affected also by the evolution of COVID-19 pandemic.

Risks and uncertainties related to the use of estimates

In the presentation of the financial statements at December 31st, 2021, 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 Bank'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, 2021. 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. To this end, it should be noted that the amount of deferred tax assets recognised in the financial statements must be tested to verify the likelihood of future taxable income that would allow for their recovery. The test carried out on the occasion of the closing of the financial statements at 31 December 2021 has given a positive result, with no uncertainties emerging in this respect;
- 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 Bank's earnings, customer solvency and the credit quality of borrowers; the performance of the financial markets, which influence interest rate fluctuation, prices and actuarial assumptions used to make estimates; legislative and regulatory changes affecting the market; and developments in existing or potential disputes.

In line with the guidelines expressed at European level on the assessment of significant increase in credit risk ("SICR"), the COVID-19 health emergency did not change the internal regulations adopted by the Group for the assessment of the creditworthiness of credit exposures, nor the criteria adopted for the staging allocation of retail customers (SICR assessment and classification into stage 1, 2 and 3). Measures taken in the context of the outbreak (such as suspension of loan payments or late payments), in accordance with the regulatory framework, were not considered an automatic trigger for SICR nor an automatic trigger for classification as forborne exposures.

Part A – Accounting policies

It should be noted, however, that with reference to the institutional counterparties with which the Bank carries out lending activities, starting from the 2021 financial year, FinecoBank has replaced the approach based on comparing the PD resulting from UniCredit's internal models at the disbursement date and at the reporting date with the method of comparing the rating at the reference date with that recorded at the date the relationship was opened, as described above. The method, which makes use of the external rating assigned by the Moody's agency, is also applied to financial instruments acquired by FinecoBank for investment purposes, replacing the previous approach based on the low risk exemption. The latter approach, expressly provided for by the accounting standard, provides an exemption to the transition to stage 2 for securities that are investment grade at the reporting date and provides for the classification in stage 2 for all financial instruments classified as non-investment grade at the reporting date, regardless of the riskiness of the instrument at the date of purchase. The decision to adopt a new methodology for staging allocation is in no way attributable to the pandemic crisis and has been implemented in full continuity and consistency with the previous approach. There were no changes in the stage of the counterparties included in the scope.

With reference to the future cash flow projections, assumptions and parameters used to measure the recoverability of goodwill of Fineco's trademarks and domains, the parameters and information used are significantly influenced by the macroeconomic market situation, which may change unpredictably in light of the uncertainties outlined above. In this regard, on December 16th, 2021, the Board of Directors approved the procedure adopted for determining the value in use of goodwill, brands and domains (model, assumptions and parameters used). The results, approved by the Board of Directors on 9 February 2022, confirmed the sustainability of the goodwill recognised in the financial statements, as none of the scenarios used identified the need for any impairment write-downs, confirming a value in use well above the carrying amount. The sensitivity analyses carried out also showed that, for the impairment testing to reach a break-even level, changes in the main parameters used in the valuation model would need to be assumed that are not currently reasonably likely. For more information about the impairment testing and the related sensitivity analyses, see Part B –Balance Sheet – Section 9 – Intangible assets of the 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 Hi-MTF 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 and the property owned for investment use held by FinecoBank, in order to assess whether there are any indications that the assets may be impaired, also considering the current context determined by the COVID-19 pandemic, the Bank, at the time of the closing of the financial statements as at 31 December 2021, requested appraisals from independent third party companies from which no evidence emerged that would lead to the need for impairment pursuant to IAS 36.

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

All relevant factors were taken into account when assessing significant items in the financial statements, including the continuing COVID-19 pandemic and its effects on the real economy. In addition, there is the ongoing conflict between Russia and Ukraine, which has triggered an international crisis whose outcome is currently unpredictable. While considering this context, it believes that there are no uncertainties regarding the Bank's ability to continue as a going concern in the foreseeable future or uncertainties that would give rise to a material adjustment to the carrying amounts within the next financial year. However, it cannot be ruled out that, due to their nature, those reasonable assumptions may not be confirmed in the Bank's actual future scenarios. In performing this valuation, the key regulatory indicators have been also considered, in terms of the period end figures at December 31st, 2021, the related buffers with respect to the minimum regulatory requirements and their evolution in the foreseeable future.

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

The Directors have considered these circumstances and considers 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, 2021 have been prepared on a going concern basis.

Contract modifications resulting from COVID-19

1. Contract modifications and derecognition (IFRS 9)

To limit the long-term effects of the crisis generated by the health emergency, the Italian Government adopted extraordinary measures to limit unemployment and support the most vulnerable sectors, which were accompanied by government-backed bank loans to businesses. The aid fund for first home mortgages (the Gasparrini Fund) was also extended to employees, self-employed workers and freelance professionals that have suffered more than a 33% decrease in revenue, due to the coronavirus emergency, compared with the turnover in the last quarter of 2019, as a result of the restrictions adopted for the COVID-19 emergency. Those eligible can suspend their loan payments for a determinated period and pay 50% of the interest accrued on the outstanding debt during the suspension period. The Gasparrini Fund (known as Consap) covers the remaining 50% of the interest accrued during the suspension period.

In addition to the above, FinecoBank subscribed to the ABI-Consumer Associations Agreement until March 2021 (expiry date of the agreement) for the suspension of loans to households as a result of the COVID-19 pandemic (personal loans and mortgages other than those meeting the conditions for recourse to the Gasparrini Fund), in line with the EBA Guidelines, mentioned above. Those eligibles were allowed to apply for the suspension loan instalments (principal only or principal and interest) for a temporary period and pay 100% of the interest accrued on the outstanding debt during the suspension period.

For both moratoria, where there are no other additional factors not strictly related to those moratoria, FinecoBank has applied modification accounting, in line with the ESMA guidance, because the contract modifications are considered to be immaterial. The Bank conducted a qualitative assessment and considered that these support measures provide temporary relief to borrowers affected by the COVID-19 pandemic, without significantly impairing the economic value of the loan.

Given that interest accrues on the postponed amounts (100% borne by the customer for the ABI agreement moratoria or 50% borne by the customer and 50% borne by Consap for the moratoria using the Gasparrini Fund), no significant modification losses have been identified.

2. Amendment to IFRS 16

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

Interbank Deposit Guarantee Fund - Voluntary Scheme

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

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

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

As at December 31, 2021, total exposure of equity instruments, arising from grants deriving from the aforementioned contributions paid by the Bank, net of write-downs and cancellations made in previous years and of the effects of the fair value valuation on that date amounted to € 457 thousand (of which € 152 thousand relating to the contributions paid for the intervention in favour of Carige and € 305 thousand relating to the contributions paid for the intervention in favour of Carim, Carismi and CariCesena).

In particular, the fair value measurement as at December 31, 2021 of equity instruments booked by the Bank as part of the operation approved by the Voluntary Scheme for the initiative taken by Credit Agricole CariParma in support of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi) showed an impairment which has resulted in the recognition in the income statement in 2021 a further negative fair value valuation of € 16 thousand. The measurement model adopted is based on the Discounted Cash Flow model depending on recovery assumptions.

The fair value measurement as at December 31, 2021 of equity instruments booked by the Bank as part of the initiative supporting Banca Carige S.p.A. showed an impairment which resulted in the recognition in the income statement in 2021 a further negative fair value valuation of € 723 thousand. As market valuations or prices of comparable securities are not available, the fair value of the instrument was determined by the Group using valuation models and methods applied in a multi-scenario analysis. Scenarios incorporate the most recent press release regarding the non-binding offers received by the Fund for the acquisition of the entire stake held.

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 2021 was € 1,186,841 thousand (€ 952,366 thousand in 2020), broken down as follows:

- € 865,267 thousand as ordinary contributions to the endowment (€ 641,532 thousand in 2020);
- € 294,581 thousand as additional contribution (€284,639 thousand in 2020), aimed at gradually replenishing, until 2024, the part of the financial envelope that has been used in total for interventions (Statute, Art. 25),
- € 26,993 thousand as additional contribution (€ 26,195 thousand in 2020).

The share of each consortium member was calculated based on their respective amount of protected deposits at September 30th, 2021 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 2021, which is paid and recognised under item 160. "Administrative expenses b) other administrative expenses", and totaled € 32,334 thousand (€ 25,901 thousand in 2020),, broken down as follows:

- € 23,573 thousand for the ordinary annual contribution (€ 17,448 thousand in 2020);
- € 8,026 thousand for the additional contribution (€ 7,741 thousand in 2020);
- € 735 thousand for the supplementary contribution (€ 712 thousand in 2020).

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 2021, which is paid and recognised under item 160. "Administrative expenses b) other administrative expenses" and amounted to € 5,812 thousand (€ 687 thousand for the year ended at December 31st, 2020). This was accompanied by the additional contribution to the National Resolution Fund pursuant to Article 1, paragraph 848 of Law 208/2015, called up from the banking system by the Bank of Italy recognised under item 160. "Administrative expenses b) other administrative expenses", and amounting to € 1,893 thousand (€ 217 thousand for the year ended December 31st, 2020)

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 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 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 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 have been tagged based on the minimum information required by the Regulations for 2021. The same is available 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 notes to the consolidated accounts.

Other information

The Financial statements as at December 31, 2021 have been reviewed, pursuant to Italian Legislative Decree no. 39 of January 27, 2010 and Regulation (UE) 2014/537, by Deloitte & Touche S.p.A. appointed as auditor of the Bank’s accounts in implementation of the Shareholders' Meeting resolution of April 16, 2013.

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

Part A – Accounting policies

A.2 The main items of the accounts

Some accounting standards adopted for the preparation of the financial statements at 31 December 2021 are modified with respect to those adopted for the preparation of the consolidated financial statements at 31 December 2020.

These changes concern hedging transactions, since, starting from 1 January 2021, the Bank has decided to apply the hedge accounting rules envisaged by IFRS 9, replacing IAS 39, with the exception of fair value hedging transactions of the exposure at the interest rate of a portfolio of financial assets or liabilities (so-called “Macro Hedge Accounting”), for which it continues to apply the provisions on the accounting of hedging transactions pursuant to IAS 39, as required by IFRS 9 paragraph 6.1.3. For more details, see the following paragraph 4. “Hedging transactions”. The transition to the IFRS9 accounting standard carried out on 1 January 2021 generated a negative economic impact of approximately €220 thousand, entirely recorded within item 90. "Net hedging result".

With reference to tax credits related to the "Cura Italia" and "Rilancio" Decree-Laws acquired following their transfer by the direct beneficiaries or by previous purchasers, whose accounting treatment is not attributable to a specific international accounting standard, the Bank has prepared an accounting policy suitable to guarantee a relevant and reliable disclosure of such transactions, as required by IAS 8. For further details, please refer to the following paragraph "Tax credits related to the "Cura Italia" and "Rilancio" law decrees".

Finally, as described in Section 2 - General principles for preparation, on 29 October 2021 the Bank of Italy issued its 7th update to Circular No. 262 "Banks' financial statements: layouts and preparation" of 22 December 2005, applicable to financial statements closed or in progress as at 31 December 2021, which introduced changes mainly concerning the presentation in the financial statements of the balance sheet item "Cash and cash equivalents", "impaired financial assets acquired or originated", intangible assets, details on fee and commission income and contributions to the resolution fund and deposit guarantee schemes (for further details see the information provided in Section 2 – Preparation criteria).

The criteria for the recognition, classification, measurement, derecognition and recording of income and expense items are described below for each item in the balance sheet and, to the extent compatible, in the income statement.

It should be noted that disclosures on significant judgments and assumptions adopted to establish the existence of control, joint control or significant influence pursuant to IFRS 12, paragraphs 7-9 are not provided, as they are provided in the consolidated financial statements, as required by Circular No. 262 'Banks' financial statements: layouts and preparation”.

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 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 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 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 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 amortized 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 Bank 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 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 Bank 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:

- 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.

Delay interest is taken to the 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 Statement of comprehensive income and shown in item 110. “Revaluation reserves” in 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 income statement item 130. "Impairment losses/write backs on: b) financial assets at fair value through comprehensive income” with contra-entry in the Statement of Comprehensive Income and are also shown in item 110. “Revaluation reserves” in shareholders' equity. The time value interest are recognised in the interest margin.

In the event of disposal, the accumulated profits and losses are recognised in the 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 Statement of comprehensive income and shown in item 110. Revaluation reserve” in 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 140. “Reserves” in shareholders' equity.

3 - Financial assets at amortised cost

A financial asset is classified within the financial assets measured at amortized 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), while "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 amortized 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.

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

After initial recognition at fair value, these assets are measured at amortized 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 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 income statement in item 100. "Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost".

4 - Hedge Accounting

From 1 January 2021, the Bank applies the hedge accounting rules set out in IFRS 9, replacing IAS 39, 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 Bank applies the hedge accounting rules set out in IFRS 9 to specific hedging transactions. The Bank 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 Bank 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

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- 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 the case of **fair value hedges**, the change in the fair value of the hedging instrument is recognised in the 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 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 income statement. The difference in fair value of the hedging derivative with respect to the last effective measurement date is recognised immediately in the 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 110 "Valuation reserves" in the shareholders' equity. The ineffective part of the hedge is recognised in the income statement under item 90 "Net hedging gains (losses)". 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 "Valuation 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 110. "Valuation reserves" are disclosed in the 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 equity and recognised in the income statement when the net investment in the entity is disposed of. Changes in fair value recognised in item 110. Valuation reserves, are also presented in the statement of comprehensive income, while the ineffective portion is recognised in the income statement under item 90. "Fair value adjustments in hedge accounting".

At the reporting date of these financial statements as of 31 December 2021, the Bank has specific hedging transactions in place for the interest rate risk of debt securities.

<u>Hedging transactions IAS 39 - Generic hedging ("Macro Hedge Accounting")</u>

The Bank 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 Bank 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 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 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 income statement item 100 “Gains and losses on disposal or repurchase”.

At the reporting date of the financial statements as at 31 December 2021, the Bank has in place generic interest rate hedges of mortgages to retail customers and fixed rate direct funding from customers.

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 in order 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.

Part A – Accounting policies

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.

Joint venture

A joint venture arrangement is a contractual arrangement in which two or more counterparties have joint control. Joint control is the sharing, on a contractual basis, of control of an arrangement, which exists only when decisions relating to relevant activities require the unanimous consent of all parties sharing control.

A joint venture arrangement has the following characteristics:

- the parties are bound by a contractual arrangement;
- the contractual arrangement gives two or more parties joint control of the arrangement.

According to IFRS 11, jointly controlled arrangements shall be classified as a joint operation or a joint venture depending on the contractual rights and obligations held by the Group:

- a joint operation is a jointly controlled arrangement in which the parties have rights to the assets and obligations for the liabilities related to the arrangement. These parties are referred to as joint operators;
- a joint venture is a jointly controlled arrangement in which the parties have rights to the net assets of the arrangement. Such parties are referred to as joint ventures.

The Bank does not have any investments in joint ventures.

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.

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)

The item includes:

- land
- buildings
- furniture and fixtures
- electronical 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 120. "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 Bank, 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.

Part A – Accounting policies

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 profit and loss items:

- 160. “Administrative expenses: b) Other administrative expenses", if they refer to assets used in the business;

or:

- 200. "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.

Buildings, if separately quantifiable, are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. Buildings, conversely, have a finite useful life and are therefore subject to depreciation.

An item with a finite useful life is subject to straight-line 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 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 income statement in item 180. “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.

An intangible asset is de-recognised from the consolidated 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 income statement in item 250. "Gains (losses) on disposal of investments" or 180. “Net impairment/write-backs on property, plant and equipment".

At the date of these consolidated financial statements, the Bank did not hold any tangible assets arising from the enforcement of guarantees received.

<u>Inventories of property, plant and equipment under IAS 2</u>

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 180. “Impairment/write-backs on property, plant and equipment" in the income statement.

At the date of these consolidated financial statements, the Bank 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 Company , 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 maximum 3 years;
- other intangible assets maximum 5 years.

There are no intangible assets with an indefinite life, except for goodwill and Fineco' brands 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 income statement item 190. "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-year impairment.

An intangible asset is de-recognised from the 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 profit and loss item 250. "Gains (losses) on disposal of investments" or 190. "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 the 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 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 Bank, 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 9.3 Intangible assets - Other information in Part B of these notes to the 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 balance sheet in item 110. "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 comprehensive income (see Part D – 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 income statement in item 290. "Profit (Loss) after tax from discontinued operations". Profits and losses attributable to individual assets held for disposal are recognised in the income statement under the most appropriate item.

At the date of these financial statements, the Bank held no "non-current assets classified as held for sale".

9 - Current and Deferred Tax

Tax assets and liabilities are recognised in the balance sheet respectively in asset item 100. "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 national tax regulations;
- current tax liabilities, i.e. tax payables due under the current Italian 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. More specifically, 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 31, 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.

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.

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 income statement in item 270. "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 statement of comprehensive income.

Current tax assets are shown in the 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 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 170. “Net provisions for risks and charges: a) commitments and guarantees given" in the 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 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 equity under item 110. “Revaluation reserves” are reported in the 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 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.

As regards provisions for legal disputes, the estimate includes the costs of proceedings borne by the Bank in the event of an adverse conclusion of the dispute plus the expenses to be paid to lawyers, technical advisors and/or experts who assist the Bank, 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 current dispute, mainly based on the analysis of the historical trend of legal expenses incurred, by type of litigation and degree of judgment.

Part A – Accounting policies

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 income statement in item 170. “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 those related to staff expenses and administrative costs) have been recognised under their own item in the 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 amortized 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 amortized 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 Bank'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 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 “130. “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 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 produce gains or losses.

The Bank's consolidated debts do not include covenants (see glossary in the attachments) that would cause default or restructuring events. There are no debt instruments involving convertibility to equity instruments (under IASB IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments).

At the date of these financial statements, there were no hybrid debt instruments or instruments convertible into treasury shares.

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.

HFT financial liabilities, 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 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 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 110. "Valuation reserves" in 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 income statement.

At the date of these 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 the income statement in item 80. "Gains and losses on financial assets and liabilities held for trading".

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 shareholders' equity are also reported in the Statement of comprehensive income.

15 - Other information

Business Combinations

A business combination is a transaction through which an entity obtains control of a company or of a business segment, thus bringing together different businesses into one reporting entity.

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.

Purchased or originated Credit Impaired - POCI

When on initial recognition an exposure, presented in the balance sheet 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 accounts is excluded from the credit risk stage breakdown and recognised separately.

At the date of these 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 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 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 160. "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 the notes to the 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 25 January 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).

Part A – Accounting policies

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 'Taxes'. 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 tax represents a use of resources embodying economic benefits imposed by governments on entities in accordance with legislation'. Both 'ordinary' and 'extraordinary' tax obligations arise from legislation and, consequently, are covered by the notion of 'taxes' 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 income statement under item 160. "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 Bank 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 income statement in item 200 “Other net operating income”.

Operating grants are presented in the income statement in item 200. "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.

Part A – Accounting policies

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")[39] 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 Bank, taking into consideration the indications expressed by the Authorities[40], 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 "Hold 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 Bank 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 120. "Other assets", while income determined using the effective interest rate is recognised under item 10. "Interest receivable and similar income". 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 200. "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".

Classification of financial assets

The new 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.

[39] Converted into law, with amendments, respectively by Law no. 27 of 24 April 2020 and Law no. 77 of 17 July 2020.
[40] On 5 January 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".

Part A – Accounting policies

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 Bank'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 by the Bank. However, a single entity may have more than one business model for managing its financial instruments.

For the "Held to Collect" business model, the Bank has defined the eligibility thresholds for sales that do not affect the classification (frequent but not significant, individually and in aggregate, or infrequent even if of a significant amount) and, at the same time, the parameters were established to identify sales consistent with this business model as they are attributable to an increase in credit risk.

The Bank included the following financial assets in the "HTC" business model, according to the purposes for which they are held and their expected turnover:

- customer loans (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;
- credit cards full payment of balance;
- deposits, loans and repurchase agreements;
- other trade receivables;
- proprietary securities for which the Objective pursued by the bank as part of its 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 Bank pursues - as part of its investment policy - the management of the its current liquidity, the maintenance of a set interest margin or the alignment of the terms of financial assets and liabilities. 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 financial cash flows and the sale of financial activities.

In particular, it involves are the following activities identified by the Bank:

- 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 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 through the use of the same tool.

It should be noted that the Bank 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, taking into account 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 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.

Recognition is also subject to verification of substantially transfer of all the risks and rewards of ownership of the financial asset. If the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall de-recognise the asset (or group of assets) and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

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 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 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 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 Bank refers specific models to calculate the expected loss. These models draw on the PD, LGD and EAD criteria used for regulatory purposes, to which specific directions are made to ensure full cohesion with the accounting standard[41]. In this regard, forward-looking information has also been included[42] with the elaboration of specific scenarios.

The expected loss is calculated for institutional counterparties, using the credit parameters provided by Moody's Analytics.

With reference to the expected loss for the retail counterparties do not have internal rating systems at their disposal, they use proxies. Segmentation by product type is carried out and the PD is replaced by the average decay rate observed by the transition matrixes defining the change to classify. This approach is based on the assumption that when there are no changes in the criteria adopted to assess the creditworthiness of the individual counterparties, the quality of the future credit will be consistent with the quality of the credit found in the time series available. To implement the requirements of the IFRS9 rule, the proxies of the parameters are corrected using forward looking information.

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 is based on a combination of relative and absolute elements. The main elements were:

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[41] 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.

[42] 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.

- the comparison between the counterparty's rating at the reference date and the one recorded at the date of first recognition in the financial statement. The methodology envisages that the position goes to stage 2 when a certain threshold is exceeded, set in terms of notches from the rating detected at the first recognition date;
- 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 FinecoBank carries out credit business, starting from January 2021 the Bank has replaced the approach based on the comparison between the PD resulting from the internal UniCredit models at origination and the one recorded at reporting date with a new approach. This one is based on the comparison between the rating at the reference date and the one recorded at first recognition described above. The method, which makes use of the external rating assigned by the Moody's agency, is also applied to financial instruments purchased by the Bank for investment purposes, in order to replace the previous approach based on the low risk exemption. The latter approach, expressly envisaged by the accounting standard, allows for an exemption to the transition to stage 2 for securities that at the reporting date are low risk (investment grade) and provides for the allocation in stage 2 for all financial instruments classified as non-investment grade at the reference date, regardless of the riskiness of the instrument at the purchase date.

With reference to retail counterparties, in the absence of internal ratings, FinecoBank 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.

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, 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 regulatory purposes, with specific adjustments made to ensure full cohesion, net of the various regulatory requirements, between the accounting treatment and the regulatory treatment.

The main adjustments are made in order to:

- remove the required conservatism only for regulatory purposes;
- introduce point-in-time adjustments to replace the through-the-cycle adjustments required for regulatory purposes;
- include forward-looking information;
- extend the credit risk parameters to a multi-year perspective.

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.

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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 30 July 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 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 non-performing loans 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 non-performing 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 and meet the requirements set out by local supervisory regulations for their classification under the "past due exposures" (standardized method). Past-due and/or overdrawn impaired exposures are valued at a flat rate on a historical/stochastic basis 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.

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.

The amount of the restatement of the lease liability should be recognised as an adjustment to the right-of-use asset. In accordance with the standard, which grants exemptions in this respect, contracts involving low-value assets (the threshold of which was identified as €5 thousand), all leases with a contractual duration of 12 months or less (known as "short term leases") were excluded and it was decided 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 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 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.

The liabilities related to TLTRO III operations are recognised in “Financial liabilities at amortised cost” and are measured at amortised cost, applying the provisions of IFRS 9. The Bank considers the interest rate as a specific market rate for this type of operation, carried out within the framework of the monetary policy measures implemented by the European Central Bank, which sets the level of the interest rate.

The effective interest rate is determined separately for each operation based on the expected cash flows, which include the forecasts of the maintenance of the “net eligible loans”, required to obtain the additional remuneration envisaged in the special interest rate periods, which are verified using a statistical approach that estimates the likelihood of this requirement being achieved with an adequate level of confidence, supported by forecasts.

The TLTRO operations are considered equivalent to floating rate financial liabilities and the expected cash flows resulting from the change in the average rate on deposits at the Central Bank are therefore recognised in accordance with IFRS 9, under which the effective interest rate is altered by the periodic re-estimation of cash flows to reflect movements in market rates of interest. The re-estimation of the future interest payments normally has no significant effect on the carrying amount of the liability. In contrast, the change in the expected cash flows related to the additional remuneration envisaged in the special interest rate periods, resulting from changes in the estimated payments due to revised assessments of the achievement of the eligibility criteria, necessitates a re-estimation of the carrying amount of the liability.

It should be noted that on 9 February 2021, ESMA submitted a question to the IFRS Interpretations Committee (IFRS-IC) regarding the accounting methods for TLTRO III transactions with particular reference to the following aspects: the applicability of IFRS 9 or IAS 20 to the transactions in question, the method of accounting for interest in so-called "special interest periods" and the accounting treatment of changes in estimates (both as a result of contractual changes and with regard to the achievement of benchmarks that allow the benefit of improved rates) on which IFRS-IC has not yet expressed a definitive opinion at the moment.

Share-Based Payment

Equity-settled payments made to employees or other staff (in particular, personal financial advisors) in consideration of work services rendered or other goods received or services rendered, using shares, which consist 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 income statement in item 160. “Administrative costs” or 50. “Fee and commission expense” as a contra-entry to item 140. "Reserves” in 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 recognized.

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”.

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.

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 balance sheet in item 130. "Equity instruments" for the amount received. Any coupons and transaction costs attributable to the transaction paid are deducted from Item 140. "Reserves" in 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 12 - 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 Income Statement in item 160. "Administrative costs: 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 Shareholders' equity under the Revaluation reserves in accordance with IAS 19 Revised and are also shown in the Statement of Comprehensive Income.

Write – offs

The Bank will enter a write-off by reducing the gross exposure of a financial asset if there are no reasonable expectations of recovering all or part of that asset.

The Bank will recognise a write-off in the following cases:

- there is no longer any reasonable expectation of recovering all or part of the asset despite the presence of the legal rights to recover the accrued capital and interest;
- waiver of the legal right to recover the accrued capital and interest;
- cessation of the legal right to recover capital and interest due to completion of the attempts at recovery.

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 amortized 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 mandatorily 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. 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 Bank would not have incurred had it not obtained the contract, are recognized as assets and systematically amortized 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 P&L 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.

If the timing of cash-in of the contractual amount is not aligned to the way the performance obligation is satisfied, the Bank 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 Bank 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.

Part A – Accounting policies

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 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 Bank uses the practical expedient envisaged by paragraph 63 of IFRS 15; as a result of which the amount the Bank 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 Bank 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 type 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 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 of less than €100, Visa debit extra Group 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.

Part A – Accounting policies

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 Bank's operations and demonstrable to external parties. Accordingly, a change in an entity'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 2021 the Bank has not made changes to its business models and, consequently, did not make any changes.

A.3.1 Reclassified financial assets: change of business model, book value and interest income
No data to report.

A.3.2 Reclassified financial assets: change of business model, fair value and impact on comprehensive income
No data to report.

A.3.3 Reclassified financial assets: change of business model and effective interest rate
No data to report.

Part A – Accounting policies

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

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

In order to provide a fair value for Visa INC preferred shares class "C" class "A", the Bank 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 31 December 2021 such factor was determined equal to 7,87%, estimating as at December 31, 2021, litigation risk at 1,87% and illiquidity risk at 6%. The litigation risk component has been extracted from an historical series of data provided by Visa INC, whereas the illiquidity risk component has been derived from the illiquidity of shares having limitations on their transferability for a certain period. The Visa INC preferred shares class "C" have been marked as level 3 of fair value hierarchy.

With regards to the contributions paid to the Interbank Deposit Guarantee Fund for the support measures in favour of CariCesena, Cassa di Risparmio di Rimini (Carim) and Cassa di Risparmio di San Miniato (Carismi), the fair value of the related equity instruments has been determined using a model based on the Discounted Cash Flow model according to the recovery forecasts. The fair value of equity instruments arising from the contributions paid in relation to the intervention in favor of Banca Carige S.p.A., has been determined through models and valuation methods applied in multi-scenario analysis. Scenarios incorporate the most recent press reports regarding the non-binding offers received by the Fund for the acquisition of the entire stake held.

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

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

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

Part A – Accounting policies

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

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 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" and in equity securities recognised against contributions paid to the Voluntary Scheme set up by the Interbank Deposit Protection Fund, for which reference should be made to the paragraph "Equity Securities" 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: 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	12/31/2021			12/31/2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	16,967	3,348	5,347	13,563	3,491	10,521
a) financial assets held for trading	16,894	3,346	-	13,506	3,491	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	73	2	5,347	57	-	10,521
2. Financial assets at fair value through other comprehensive income	39,012	-	5	143,693	-	5
3. Hedging derivatives	-	127,448	-	-	19,003	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**55,979**	**130,796**	**5,352**	**157,256**	**22,494**	**10,526**
1. Financial liabilities held for trading	2,486	1,931	-	4,028	1,843	18
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	57,313	-	-	214,388	-
Total	**2,486**	**59,244**	**-**	**4,028**	**216,231**	**18**

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 COVID-19 pandemic on fair value measurement

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

Part A – Accounting policies

A.4.5.2 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	**10,521**	**-**	**-**	**10,521**	**5**	**-**	**-**	**-**
2. Increases	**1,013**	**287**	**-**	**726**	**-**	**-**	**-**	**-**
2.1 Purchases	287	287	-	-	-	-	-	-
2.2 Profits recognised in:	726	-	-	726	-	-	-	-
2.2.1 Income Statement	726	-	-	726	-	-	-	-
- of which unrealised gains	379	-	-	379	-	-	-	-
2.2.2 Shareholders' Equity	-	X	X	X	-	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-	-	-
3. Decreases	**(6,187)**	**(287)**	**-**	**(5,900)**	**-**	**-**	**-**	**-**
3.1 Sales	(5,409)	(277)	-	(5,132)	-	-	-	-
3.2 Redemptions	-	-	-	-	-	-	-	-
3.3 Losses recognised in:	(778)	(10)	-	(768)	-	-	-	-
3.3.1 Income Statement	(778)	(10)	-	(768)	-	-	-	-
- of which unrealised losses	(768)	-	-	(768)	-	-	-	-
3.3.2.Shareholders' Equity	-	X	X	X	-	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-	-	-
3.5 Other decreases	-	-	-	-	-	-	-	-
4. Closing balances	**5,347**	**-**	**-**	**5,347**	**5**	**-**	**-**	**-**

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".

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	**18**	**-**	**-**
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 Transfers from other levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**(18)**	**-**	**-**
3.1 Reimbursements	-	-	-
3.2 Repurchases	(11)	-	-
3.3 Profits recognised in:	(7)	-	-
3.3.1 Income Statement	(7)	-	-
- of which capital gains	-	-	-
3.3.2 In equity	X	-	-
3.4. Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balances	**-**	**-**	**-**

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	12/31/2021				12/31/2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets at amortised cost	30,868,131	20,783,239	4,235,999	6,579,833	28,816,987	18,800,104	5,909,192	5,251,577
2. Tangible assets held for investment	1,764			2,292	1,872			2,367
3. Non-current assets and disposal groups classified as held for sale								
Total	**30,869,895**	**20,783,239**	**4,235,999**	**6,582,125**	**28,818,859**	**18,800,104**	**5,909,192**	**5,253,944**
1. Financial liabilities at amortised cost	31,558,409	489,712	1,032,069	30,026,915	29,415,180		942,853	28,465,364
2. Liabilities included in disposal group classified as held for sale								
Total	**31,558,409**	**489,712**	**1,032,069**	**30,026,915**	**29,415,180**	**-**	**942,853**	**28,465,364**

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.

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

Part A – Accounting policies

A.5 Day-one profit/loss

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

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
a) Cash	335	7
b) Current account and demand deposits with Central banks	1,256,399	1,760,341
c) Current accounts and demand deposits with banks	186,057	246,000
Total	**1,442,791**	**2,006,348**

It should be noted that the comparative information as at 31 December 2020 on the composition of the item "Cash and cash balances" was restated following the entry into force of the 7th update of Circular no. 262 "Banks' financial statements: layouts and presentations", which, in line with the corresponding item on the assets side of the balance sheet, requires all on-demand receivables, in the form of current accounts and deposits, from banks and central banks (with the exception of the reserve requirement) to be recognised under the item "Cash and cash balances", whereas previously it only included on-demand receivables from central banks. Specifically, in the 2020 Financial Statements current accounts and demand deposits with banks, shown in the table above under c) in the amount of €246,000 thousand, were recognised in "Financial assets at amortised cost" with banks.

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

Item "c) Current accounts and demand deposits with banks" consists of current accounts opened with credit institutions for the settlement of transactions on payment circuits, for the settlement of securities transactions, for the management of the liquidity of UK 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 12/31/2021			Total 12/31/2020		
	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	14,792	-	-	9,942	-	-
3. Units in investment funds	5	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**14,797**	**-**	**-**	**9,942**	**-**	**-**
B. Derivative instruments						
1. Financial derivatives	2,097	3,346	-	3,564	3,491	-
1.1 trading financial derivatives	2,097	3,346	-	3,564	3,491	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 trading derivatives	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	**2,097**	**3,346**	**-**	**3,564**	**3,491**	**-**
Total (A+B)	**16,894**	**3,346**	**-**	**13,506**	**3,491**	**-**

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

Equities in the proprietary portfolio are mainly used for management hedging of open equity CFD positions in 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 on forex, indices, shares, interest rates and commodities 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 Turbo Certificates issued, and Turbo Certificates issued for a total amount of € 3,310 thousand (€ 3,352 thousand as at December 31, 2020).

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 € 2,133 thousand (€ 3,702 thousand as at December 31, 2020).

Part B – Balance sheet

2.2 Financial assets held for trading: breakdown by issuer/borrower

(Amounts in € thousand)

Items/Amounts	Total 12/31/2021	Total 12/31/2020
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	14,792	9,942
a) Banks	-	7
b) Other financial companies	1,153	300
of which: Insurance companies	-	2
c) Non-financial companies	13,639	9,635
d) Other issuers	-	-
3. Units in investment funds	5	-
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)	**14,797**	**9,942**
B. Derivative instruments	**-**	**-**
a) Central Counterparties	93	38
b) Others	5,350	7,017
Total (B)	**5,443**	**7,055**
Total (A+B)	**20,240**	**16,997**

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 12/31/2021			Total 12/31/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**72**	**2**	**-**	**50**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	72	2	-	50	-	-
2. Equity instruments	**1**	**-**	**5,347**	**7**	**-**	**10,521**
3. Units in investment funds	**-**	**-**	**-**	**-**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	**73**	**2**	**5,347**	**57**	**-**	**10,521**

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

The “Other financial assets mandatorily at fair value” primarily consist of the Visa INC class “C” preferred shares, for an amount of € 4,884 thousand, which saw a positive change in fair value during 2021 of € 350 thousand and the residual equity instruments exposure following the contribution paid to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF) amounting to € 457 thousand (of which € 152 thousand relating to the Banca Carige transaction and € 305 thousand relating to Carim, Carismi and CariCesena transaction), with a negative effect recorded in 2021 income statement amounting to € 793 thousand due to the fair value measurement. For more details on the fair value measurement of financial instruments, please refer to Part A - Accounting Policies - A.4 Information on the fair value of these notes to the accounts.

The preferred shares of Visa INC class "A" present in "Financial assets at fair value through profit or loss c) other financial assets compulsorily valued at fair value" at 31 December 2020 were sold during the 2021 financial year.

Equity securities of issuers in default were classified by the Bank as non-performing in the financial statements for a total amount of € 2 thousand.

Part B – Balance sheet

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

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
1. Equity instruments	**5,348**	**10,528**
of which: banks	1	1
of which: other financial companies	5,341	10,516
of which: other non-financial companies	5	11
2. Debts securities	**74**	**50**
a) Central Banks	-	-
b) Public Entities	71	47
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	**5,422**	**10,578**

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 12/31/2021			Total 12/31/2020		
	L1	L2	L3	L1	L2	L3
1. Debts securities	**39,012**	**-**	**-**	**143,693**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	39,012	-	-	143,693	-	-
2. Equity instruments	**-**	**-**	**5**	**-**	**-**	**5**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**39,012**	**-**	**5**	**143,693**	**-**	**5**

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

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"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 € 5 thousand for which, upon first application of IFRS 9, the "FVTOCI"[43] option was exercised. For more details, see the information on Sovereign exposures 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 12/31/2021	Total 12/31/2020
1. Debt securities	**39,012**	**143,693**
a) Central Banks	-	-
b) Public Entities	39,012	143,693
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
2. Equity Instruments	**5**	**5**
a) Banks	-	-
b) Other issuers:	5	5
- other financial companies	-	-
of which: insurance companies	-	-
- non-financial companies	5	5
- 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	**39,017**	**143,698**

[43] 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 – Balance sheet

3.3 Financial assets measured at fair value with an impact on overall profitability: gross value and total value adjustments

(Amounts in € thousand)

	Gross amount					Writedowns				
	First stage	of which: low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	Write off partial total
Debt securities	39,018	-	-	-	-	(6)	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Total 12/31/2021	**39,018**	**-**	**-**	**-**	**-**	**(6)**	**-**	**-**	**-**	**-**
Total 12/31/2020	**143,710**	**143,710**	**-**	**-**	**-**	**(17)**	**-**	**-**	**-**	**-**

3.3a Loans and advances measured at fair value with an impact on overall profitability subject to measures applied in response to the COVID-19: gross values and writedown

No data to report.

Section 4 - Financial assets at amortised cost – Item 40

4.1 Financial assets valued at amortized cost: Loans and receivables with banks

(Amounts in € thousand)

Type of transaction/Values	Total 12/31/2021						Total 12/31/2020					
	Carrying amount			Fair value			Balance value			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
A. Loans and receivables to Central Banks	**298,040**	**-**	**-**	**-**	**-**	**298,040**	**271,500**	**-**	**-**	**-**	**-**	**271,500**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	298,040	-	-	X	X	X	271,500	-	-	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	**5,449,467**	**-**	**-**	**1,438,943**	**3,991,717**	**71,823**	**7,716,781**	**-**	**-**	**1,756,035**	**5,860,094**	**242,923**
1. Loans	71,823	-	-	-	-	71,823	242,923	-	-	-	-	242,923
1.1 Current accounts	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	59,509	-	-	X	X	X	33,368	-	-	X	X	X
1.3 Other loans	12,314	-	-	X	X	X	209,555	-	-	X	X	X
- Reverse repos	222	-	-	X	X	X	1,122	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	12,092	-	-	X	X	X	208,433	-	-	X	X	X
2. Debts securities	5,377,644	-	-	1,438,943	3,991,717	-	7,473,858	-	-	1,756,035	5,860,094	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	5,377,644	-	-	1,438,943	3,991,717	-	7,473,858	-	-	1,756,035	5,860,094	-
Total	**5,747,507**	**-**	**-**	**1,438,943**	**3,991,717**	**369,863**	**7,988,281**	**-**	**-**	**1,756,035**	**5,860,094**	**514,423**

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

It should be noted that the comparative information at 31 December 2020 on the breakdown of loans and advances to banks has been restated following the entry into force of the 7th update of Circular no. 262 "Banks' financial statements: layouts and presentation", which, consistently with the corresponding item on the asset side of the balance sheet, requires that all on-demand receivables, in the form of current accounts and deposits, from banks and central banks (with the exception of the reserve requirement) be recognised under the item "Cash and cash balances", while previously on-demand receivables from banks were included under the item "Financial assets at amortised cost". Specifically, in the 2020 Accounts Receivable and Demand deposits with banks were included under B. Loans 1.1 Current accounts amounting to €246,000 thousand.

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

The item "Other loans: Other" refers for € 3,960 thousand to the amount of the initial and variation margins and collateral deposits placed with credit institutions for derivative transactions (€ 202,393 thousand as at December 31, 2020), and € 8,132 thousand to current receivables associated with the provision of financial services (€ 6,041 thousand as at December 31, 2020).

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The item “Debt securities” includes € 3,856,346 thousand relating to debt securities issued by UniCredit S.p.A. (€ 5,738,917 thousand as at December 31, 2020).

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.

4.2 Financial asset valued at amortized cost: breakdown product of receivables to customers

(Amounts in € thousand)

Type of transaction/Values	Total 12/31/2021						Total 12/31/2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3	First and second stage	Third stage	Purchased or originated impaired	L1	L2	L3
1. Loans	**5,979,387**	**4,380**	**-**	**-**	**-**	**6,209,970**	**4,513,821**	**3,530**	**-**	**-**	**-**	**4,737,154**
1.1.Current accounts	2,107,400	2,242	-	X	X	X	1,600,663	2,103	-	X	X	X
1.2. Reverse repos	193,176	100	-	X	X	X	154,963	51	-	X	X	X
1.3. Mortgages	2,478,473	882	-	X	X	X	1,667,948	338	-	X	X	X
1.4. Credit cards, personal loans and wage assignment losses	823,203	1,020	-	X	X	X	732,489	871	-	X	X	X
1.5 Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
1.6. Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	377,135	136	-	X	X	X	357,758	167	-	X	X	X
2. Debt securities	**19,136,857**	**-**	**-**	**19,344,296**	**244,282**	**-**	**16,311,355**	**-**	**-**	**17,044,069**	**49,098**	**-**
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	19,136,857	-	-	19,344,296	244,282	-	16,311,355	-	-	17,044,069	49,098	-
Total	**25,116,244**	**4,380**	**-**	**19,344,296**	**244,282**	**6,209,970**	**20,825,176**	**3,530**	**-**	**17,044,069**	**49,098**	**4,737,154**

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

The item "Repurchase agreements" does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" transactions in table A.1.7 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.

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

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- 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 valued at amortized cost: breakdown by debtors/issuers of receivables to customers

(Amounts in € thousand)

Type of transaction / Values	Total 12/31/2021			Total 12/31/2020		
	First and second stage	Third stage	Purchased or originated impaired assets	First and second stage	Third stage	Purchased or originated impaired assets
1. Debt securities	**19,136,857**	**-**	**-**	**16,311,355**	**-**	**-**
a) Public Administration	19,136,857	-	-	16,311,355	-	-
b) Other financial company	-	-	-	-	-	-
of which: insurance companies	-	-	-	-	-	-
c) Non financial companies	-	-	-	-	-	-
2. Loans to:	**5,979,387**	**4,380**	**-**	**4,513,821**	**3,530**	**-**
a) Public Administration	5	-	-	4	-	-
b) Other financial company	359,610	1	-	342,527	1	-
of which: insurance companies	27,042	-	-	20,393	-	-
c) Non financial companies	718	21	-	813	18	-
d) Households	5,619,054	4,358	-	4,170,477	3,511	-
Total	**25,116,244**	**4,380**	**-**	**20,825,176**	**3,530**	**-**

4.4 Financial assets at amortized cost: gross value and total value adjustments

(Amounts in € thousand)

		Gross amount					Writedowns				
		First stage	of which: low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	Write off partial total
Debt securities		24,520,355	-	-	-	-	(5,854)	-	-	-	-
Loans		6,346,104	-	15,639	24,540	-	(8,620)	(3,873)	(20,160)	-	-
Total	**12/31/2021**	**30,866,459**	**-**	**15,639**	**24,540**	**-**	**(14,474)**	**(3,873)**	**(20,160)**	**-**	**-**
Total	**12/31/2020**	**28,820,244**	**23,792,707**	**13,277**	**25,489**	**-**	**(16,306)**	**(3,758)**	**(21,958)**	**-**	**-**

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4.4a Loans and advances measured at amortised cost subject to measures applied in response to the COVID-19: gross values and writedown

(Amounts in € thousand)

	Gross value					Writedown				Write off partial total*
	First stage	of which: low credit risk	Second stage	Third stage	Purchased or originated impaired	First stage	Second stage	Third stage	Purchased or originated impaired	
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	124	-	-	-	-	(1)	-	-	-	-
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	107	-	-	-	-	(1)	-	-	-	-
3. Other loans and advances subject to COVID-19-related forbearance measures	-	-	773	-	-	-	(11)	-	-	-
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-
Total 12/31/2021	**231**	**-**	**773**	**-**	**-**	**(2)**	**(11)**	**-**	**-**	**-**
Total 12/31/2020	**16,286**	**-**	**1,236**	**45**	**-**	**(41)**	**(56)**	**(36)**	**-**	**-**

Section 5 – Hedging derivatives – Item 50

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

(Amounts in € thousand)

	Fair Value 12/31/2021			NA	Fair Value 12/31/2020			NA
	L1	L2	L3	12/31/2021	L1	L2	L3	12/31/2020
A. Financial derivatives								
1. Fair value	-	127,448	-	6,228,710	-	19,003	-	620,000
2. Cash flows	-	-	-	-	-	-	-	-
3. Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**127,448**	**-**	**6,228,710**	**-**	**19,003**	**-**	**620,000**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

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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	97,454	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	21,147	X	-	X
4. Others	-	-	-	-	-	-	X	-	X	-
Total assets	**97,454**	**-**	**-**	**-**	**-**	**-**	**21,147**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	8,847	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**8,847**	**-**	**-**	
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	-	-

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

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

(Amounts in € thousand)

Fair value of hedged assets/Amounts	Total 12/31/2021	Total 12/31/2020
1. Positive changes	**19,648**	**55,448**
1.1 of specific portfolios:	19,648	55,448
a) financial assets at amortized cost	19,648	55,448
b) financial assets at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative changes	**(21,183)**	**-**
2.1 of specific portfolios	(21,183)	-
a) financial assets at amortized cost	(21,183)	-
b) financial assets at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**(1,535)**	**55,448**

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%
B. Joint ventures				
C. Companies under significant influence				
1. Hi-Mtf Sim S.p.A.	Milan	Milan	20%	20%

7.2 Significant equity investments book value, fair value and dividends received

As required by Circular no. 262 dated December 22, 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 22, 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

No data to report.

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7.5 Equity investments: annual changes

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
A. Opening balance	**3,000**	**3,000**
B. Increases	**1,321**	**-**
B.1 Purchases	1,321	-
- of which business combinations	-	-
B.2 Writebacks	-	-
B.3 Revaluations	-	-
B.4 Other variations	-	-
C. Decreases	**(26)**	**-**
C.1 Sales	-	-
- of which business combinations	-	-
C.2 Adjustments	-	-
C.3 Depreciations	(26)	-
C.4 Other changes	-	-
D. Closing balance	**4,295**	**3,000**
E. Total revaluations	**-**	**-**
F. Total adjustments	**-**	**-**

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.

Controlling interests recognised in FinecoBank's separate financial statements are tested for impairment, where appropriate, while maintaining consistency between the measurements in the separate and consolidated financial statements.

To determine the value in use of the investment in Hi MTF 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, except for Beta for which reference was made to a basket of comparable companies.

For the calculation of fair value, the best evidence is represented by the recent purchase transaction, which involved FinecoBank on one side and four institutional counterparties on the other. In order to confirm this fair value, the Parent Company has in any case developed valuation methods (Mixed Equity-Reduction Method and Market Multiples Method) in line with the methods used at the time of the purchase of the equity investment, varying, where appropriate, the main parameters (Ke, Beta, etc.) in order to make them homogeneous with those already used by FinecoBank in other contexts.

The results of the impairment test carried out on the investment in Hi-MTF Sim S.p.A. 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 31 December 2021 resulted in a negative economic impact of € 26 thousand.

The method for determining the recoverable amount described above (model, assumptions and parameters used) was approved by the Board of Directors on 9 February 2022.

Part B – Balance sheet

7.6 Commitments to equity interests in joint ventures

As required by Circular no. 262 dated December 22, 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.

7.7 Commitments to equity interests in companies under significant influence

As required by Circular no. 262 dated December 22, 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 22, 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 22, 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

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 12/31/2021	Total 12/31/2020
1. Owned assets	**84,212**	**84,368**
a) lands	23,932	23,932
b) buildings	39,822	41,050
c) office furniture and fittings	3,006	2,949
d) electronic system	14,861	13,719
e) other	2,591	2,718
2. Assets under financial lease	**63,530**	**64,642**
a) lands	-	-
b) buildings	63,212	64,201
c) office furniture and fittings	-	-
d) electronic system	-	-
e) other	318	441
Total	**147,742**	**149,010**
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.

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

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2021				Total 12/31/2020			
	Carrying value	Fair value			Carrying value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owened assets	**1,764**	**-**	**-**	**2,292**	**1,872**	**-**	**-**	**2,367**
a) lands	-	-	-	-	-	-	-	-
b) buildings	1,764	-	-	2,292	1,872	-	-	2,367
2. Assets under financial lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) lands	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**1,764**	**-**	**-**	**2,292**	**1,872**	**-**	**-**	**2,367**
of which: obtained through enforcement of the guarantees received	-	-	-	-	-	-	-	-

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

Part B – Balance sheet

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.

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**	**126,236**	**17,362**	**44,469**	**12,975**	**224,974**
A.1 Total net reduction in value	-	(20,985)	(14,413)	(30,750)	(9,816)	(75,964)
A.2 Net opening balance	**23,932**	**105,251**	**2,949**	**13,719**	**3,159**	**149,010**
B. Increases:	**-**	**12,566**	**1,356**	**6,272**	**731**	**20,925**
B.1 Purchases	-	11,686	1,356	6,271	721	20,034
B.2 Capitalised expenditure on improvements	-	89	-	-	-	89
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	-	791	-	1	10	802
C. Decreases:	**-**	**(14,783)**	**(1,299)**	**(5,130)**	**(981)**	**(22,193)**
C.1 Sales	-	-	-	(1)	-	(1)
C.2 Depreciation	-	(11,809)	(1,295)	(5,126)	(975)	(19,205)
C.3 Impairment losses recognised	-	(2)	(4)	(3)	-	(9)
a) in equity	-	-	-	-	-	-
b) through profit or loss	-	(2)	(4)	(3)	-	(9)
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	-	(2,972)	-	-	(6)	(2,978)
D. Net closing balance	**23,932**	**103,034**	**3,006**	**14,861**	**2,909**	**147,742**
D.1 Total net reduction in value	-	(28,828)	(15,660)	(32,255)	(10,563)	(87,306)
D.2 Gross closing balance	**23,932**	**131,862**	**18,666**	**47,116**	**13,472**	**235,048**
E. Carried at cost	23,932	103,034	3,006	14,861	2,909	147,742

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 activity.

(Amounts in € thousand)

	Land	Buildings	Furniture and fittings	Electronic system	Other	Total
Other increases due to changes in rights of use	-	791	-	-	10	781
Other decreases due to changes in rights of use	-	(2,965)	-	-	(3)	(2,968)

Part B – Balance sheet

8.7 Property, plant and equipment held for investment: annual changes

(Amounts in € thousand)

	Total	
	Lands	**Buildings**
A. Gross opening balance	**-**	**3,600**
A.1 Total net reduction in value	-	(1,728)
A.2 Net opening balance	-	1,872
B. Increase	**-**	**-**
B.1 Purchases	-	-
B.2 Capitalised expenditure on improvements	-	-
B.3 Net increases in fair value	-	-
B.4 Write-backs	-	-
B.5 Positive exchange differences	-	-
B.6 Transfer from properties used in the business	-	-
B.7 Other changes	-	-
C. Decreases	**-**	**(108)**
C.1 Sales	-	-
C.2 Depreciation	-	(108)
C.3 Decreases in fair value	-	-
C.4 Impairment losses	-	-
C.5 Negative exchange difference	-	-
C.6 Transfers to other asset portfolios	-	-
a) properties used in the business	-	-
b) non-current assets classified as held for sale	-	-
C.7 Other changes	-	-
D. Net closing balance	**-**	**1,764**
D.1 Total net reduction in value	-	(1,836)
D.2 Gross closing balance	-	3,600
E. Fair value measurement	**-**	**2,292**

The buildings specified in the table above are carried at cost.

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 31, 2021 the Bank had contractual commitments to purchase property, plant and equipment amounting to €1,196 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.

Part B – Balance sheet

Section 9 - Intangible assets - Item 90

9.1 Intangible assets: breakdown for assets typology

(Amounts in € thousand)

Activities/Values	Total 12/31/2021		Total 12/31/2020	
	Finite life	Indefinite life	Finite life	Indefinite life
A.1 Goodwill	X	**89,602**	X	**89,602**
A.2 Other intangible asset	**11,519**	**27,459**	**11,979**	**27,459**
of which Software	11,394	-	11,705	-
A.2.1 Assets valued at cost:	11,519	27,459	11,979	27,459
a) intangible assets generated internally	-	-	-	-
b) other assets	11,519	27,459	11,979	27,459
A.2.2 Assets valued at fair value:	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**11,519**	**117,061**	**11,979**	**117,061**

In the table above, the item "of which Software" has been added, as provided for in the 7th update of 29 October 2021 of Circular No. 262 "Banks' financial statements: layouts and preparation", in which software that is not an integral part of hardware according to IAS 38 is shown.

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 the Notes to the accounts.

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**	**-**	**-**	**99,940**	**27,459**	**252,128**
A.1 Total net reduction in value	(35,127)	-	-	(87,961)	-	(123,088)
A.2 Net opening balance	**89,602**	**-**	**-**	**11,979**	**27,459**	**129,040**
B. Increases	**-**	**-**	**-**	**6,176**	**-**	**6,176**
B.1 Purchases	-	-	-	6,176	-	6,176
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	**-**	**-**	**-**	**(6,636)**	**-**	**(6,636)**
C.1 Sales	-	-	-	-	-	-
C.2 Impairment losses	-	-	-	(6,636)	-	(6,636)
- Amortisations	X	-	-	(6,636)	-	(6,636)
- 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**	**-**	**-**	**11,519**	**27,459**	**128,580**
D.1 Total net impairments	(35,127)	-	-	(94,597)	-	(129,724)
E. Gross closing balance	**124,729**	**-**	**-**	**106,116**	**27,459**	**258,304**
F. Carried at cost	89,602	-	-	11,519	27,459	128,580

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 31, 2021 the Bank does not held contractual commitments to purchase intangible assets.

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

Other information - Impairment test

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

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

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

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

If these conditions exist, the impairment test 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 2022, in which the budget figures were considered (submitted for approval by the Board of Directors on December 16, 2021);

- year 2023, which considers the financial forecasts of the Strategic Plan 2020-2023 (submitted for approval by the same Board of Directors on December 16, 2021);
- intermediate period of five years from 2024 to 2028, for which the forecasts of the financial flows are projected by applying beginning in the last explicit estimate period (2023) 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 2010 to 2020 was 2.1% (of which 1.2% 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, 6 or 12 months of the 10-year Btp; in light of the sharp reduction in market rates generated by the COVID-19 pandemic, it was considered correct to use, as an exception to the methodology, a time horizon of 3 years for the calculation of the average (equal to 1.47%), so the cost of capital is not excessively impacted by the reduction in rates that characterized 2020 and 2021;
- 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 3-year average of the Fineco share compared to FTSEMIB and SXXP indices.

The cost of capital in 2023 is calculated considering the average expected return of the 10-year BTP expected in 2023 as risk free (3-year average, equal to 0.97%); the ERP is instead kept the same as that calculated for 2022. The 2023 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 16, 2021. 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 9, 2022, confirmed the sustainability of the goodwill and the brand recognised in the financial statements as at December 31, 2021, with the value in use significantly higher than the carrying amount.

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 12/31/2021 (18.80%*)**
Change of value in use	-18.0%	-0.3%	-14.4%	-5.3%	-0.5%

* 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 over 20 percentage points, i.e. with a reduction of over 70% of annual earnings (while maintaining all the other parameters and information used unchanged, in both scenarios).

It should be noted that the value of “FinecoBank” shares resulted in a market capitalisation of €9,414 million at December 31, 2021, markedly higher than the Bank's shareholders' equity 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.

Part B – Balance sheet

Section 10 - Tax Assets and Tax Liabilities - Asset item 100 and liability item 60

The item "Tax assets", amounting to € 42,954 thousand as at December 31, 2021, is exclusively made of "Deferred tax assets", already net of the set-off against "Deferred tax liabilities" for €2,851 thousand.

The item "Tax liabilities", amounting to € 34,647 thousand at the same date, is exclusively made of "Current tax liabilities", already net of the compensation of IRES and IRAP advances paid during 2021. There are no "Deferred tax liabilities" as they are offset against "Deferred tax assets" for € 2,851 thousand.

Current Tax Assets and Liabilities

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2021	Total 12/31/2020
Current tax assets	-	5,166
Current tax liabilities	34,647	9,574

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 € 44,757 thousand recognised as a balancing entry in the income statement;
- "Deferred tax assets" of € 1,048 thousand recognised as a balancing entry of shareholders' equity;
- "Deferred tax liabilities" of € 2,146 thousand recognised as a balancing entry in the income statement;
- "Deferred tax liabilities" of € 705 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.

10.1 Deferred tax assets: breakdown

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2021	Total 12/31/2020
Allocations through profit or loss	**41,985**	**28,010**
- of which Patent Box ex D.L. n.3/2015	8,791	4,395
- of which Provisions for Risks and Charges	19,329	19,736
- of which Realignment of goodwill art. 110 of D.L. n. 104/2020	10,011	-
- of which Other	3,854	3,879
Allocations through equity	**1,048**	**835**
- of which Revaluation reserve application IAS 19	1,048	835
- of which Financial assets at fair value through comprehensive income	-	-
Impairment losses on receivables (of which pursuant to Law 214/2011)	**2,772**	**3,300**
Total before IAS 12 offset	**45,805**	**32,145**
Offset against deferred tax liabilities - IAS 12	(2,851)	(24,008)
Total	**42,954**	**8,137**

10.2 Deferred tax liabilities: breakdown

(Amounts in € thousand)

Assets/Amounts	Total 12/31/2021	Total 12/31/2020
Allocations through profit or loss	**2,146**	**26,076**
- of which Goodwill and Brand	1,938	25,527
- of which Exposures in equity instruments with Voluntary Scheme	151	396
- of which Other	57	153
Allocations through equity	**705**	**1,682**
- of which Revaluation reserve application IAS 19	502	507
- of which Financial assets at fair value through comprehensive income	203	1,175
Total before IAS 12 offset	**2,851**	**27,758**
Offset against deferred tax assets - IAS 12	(2,851)	(24,008)
Total	**-**	**3,750**

Part B – Balance sheet

10.3 Changes in deferred tax assets (through profit or loss)

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**31,310**	**50,914**
2. Increases	**18,623**	**7,184**
2.1 Deferred tax assets recognised in the year	18,289	7,137
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) write-backs	-	-
d) others	18,289	7,137
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	334	47
3. Decreases	**(5,176)**	**(26,788)**
3.1 Deferred tax assets cancelled in the year	(5,176)	(26,788)
a) reversals of temporary differences	(5,176)	(26,788)
b) write-downs of non-recoverable items	-	-
c) changes in accountable policies	-	-
d) others	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	-	-
a) conversion of tax credits as per Law 214/2011	-	-
b) others	-	-
4. Closing balance	**44,757**	**31,310**

The increases in deferred tax assets recognised during the year as a balancing entry in the income statement refer mainly to the realignment of goodwill pursuant to Article 110 of Legislative Decree 104/2020, the tax benefit related to the Patent Box regime pursuant to Legislative Decree no. 3 of 2015 for the year 2020 and provisions for risks and charges. In the item "Other increases", deferred tax assets recorded as a contra-entry to the provision for taxes and duties were allocated as a result of the accounting reclassification of certain costs related to the activities of financial advisors and related to services in item 50. "Fee and Commission expenses" from item 160. "Administrative expenses", therefore this effect was not recognised in item 270. "Income taxes for the year on current operations" of the income statement. The decreases mainly relate to the utilisation of the provision for risks and charges.

Part B – Balance sheet

10.3 bis Changes in deferred tax assets under Law 214/2011

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**3,299**	**3,828**
2. Increases	**-**	**-**
- of which: business combinations	-	-
3. Decreases	**(527)**	**(529)**
3.1 Reversals	(527)	(529)
3.2 Conversion into tax credits	-	-
a) resulting from operating losses	-	-
b) resulting from tax losses	-	-
3.3 Other decreases	-	-
4. Closing balance	**2,772**	**3,299**

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.

10.4 Changes in deferred tax liabilities (through profit or loss)

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**26,075**	**25,992**
2. Increases	**900**	**558**
2.1 Deferred tax liabilities arising during the year	900	558
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	900	558
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(24,829)**	**(475)**
3.1 Deferred tax liabilities de-recognised during the year	(24,829)	(474)
a) reversals of temporary differences	(24,829)	(474)
b) due to changes in accounting policies	-	-
c) others	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	(1)
4. Closing balance	**2,146**	**26,075**

The increase in deferred taxes liabilities recognised in the year as a balancing entry in the income statement refers to the recognition of deferred tax liabilities on the amortisation of the trademark and goodwill. The decreases mainly referred to the release to the income statement of pre-existing IRES deferred tax liabilities on goodwill subject to realignment pursuant to Article 110 of Law Decree 104/2020.

Part B – Balance sheet

10.5 Changes in deferred tax assets (through equity)

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**835**	**798**
2. Increases	**213**	**233**
2.1 Deferred tax assets recognised in the year	132	233
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	132	233
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	81	-
3. Decreases	**-**	**(196)**
3.1 Deferred tax assets cancelled in the year	-	(196)
a) reversals of temporary differences	-	(196)
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	**1,048**	**835**

The increases in deferred tax assets recognized in the year through equity refer to the recognition of deferred taxes for actuarial losses recognized in shareholders' equity as part of the valuation reserves in application of the provisions of IAS 19 Revised.

10.6 Changes in deferred tax liabilities (through equity)

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
1. Opening balance	**1,682**	**2,270**
2. Increases	**-**	**427**
2.1 Deferred tax assets recognised in the year	-	427
a) relating to prior years	-	-
b) due to changes in accounting policies	-	-
c) others	-	427
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**(977)**	**(1,015)**
3.1 Deferred tax assets cancelled in the year	(977)	(1,015)
a) reversals of temporary differences	(977)	(1,015)
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	**705**	**1,682**

The decrease in deferred tax liabilities recognised during the year through equity refer to the disposal of debt securities booked in ”Financial assets at fair value through other comprehensive income” item.

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 12/31/2021	Total 12/31/2020
Trade receivables according to IFRS15	5,397	3,603
Tax credits purchased	508,764	-
Current receivables not related with the provision of financial services	1,359	2,588
Improvement and incremental expenses incurred on leasehold assets	5,236	6,361
Definitive items not recognised under other items:	14,849	15,632
- securities and coupons to be settled	1,435	1,135
- other transactions	13,414	14,497
Tax items other than those included in the item "Tax assets":	352,224	258,552
- tax advances	346,953	254,035
- tax credit	5,271	4,486
- tax advances on employee severance indemnities	-	31
Items awaiting settlement	6,480	2,627
Items in processing	5,900	5,600
- POS, bancomat and Visa debit	5,897	5,591
- Others	3	9
Items in transit not allocated to relevant accounts	4	14
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	12,931	34,137
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	79,566	30,696
Total	**992,710**	**359,810**

Tax credits purchased include the carrying amount of tax credits purchased during 2021 under Decree-Law 34/2020. They include both the tax credits acquired following their transfer by the direct beneficiaries and those acquired following their transfer by previous purchasers.

It should be noted that the Tax Credits pursuant to art. 121 of Law Decree 34/2020 purchased by FinecoBank on the secondary market, for a balance sheet amount as at 31 December 2021 of € 328,560 thousand, also include credits that have been subject to preventive seizure, for a balance sheet amount of € 39,132 thousand, by the judicial authorities in execution of a seizure order as part of criminal proceedings involving third parties. Given the Bank's total lack of involvement in the facts under investigation, in these financial statements the aforementioned receivables have remained recognised as tax receivables (item "Tax credits purchased"), in light of the principle that, where it is found that the taxpayer was not entitled to deduct, the transferee who purchased the tax receivable in good faith does not lose the right to use it (see Revenue Agency, Circulars no. 24/E of 8 August 2020 and no. 30/E of 22 December 2020). In this regard, it should also be noted that: i) since this is a sub-transfer, there was no relationship between FinecoBank and the original beneficiary of the deduction. Therefore, any form of complicity by the former in any breach by the latter of the conditions necessary to obtain the deduction is to be excluded and there is no joint and several liability of the Bank, pursuant to Article 121, paragraph 6, of Decree-Law no. 34/2020; ii) both the clauses and the protections included in the contract of assignment of the receivables in question, and the rules referred to therein (in particular, articles 1260 et seq. of the Italian Civil Code) provide adequate protection for FinecoBank, which can claim rights both in terms of the possible termination of the assignment (with the related restitutionary consequences) and in terms of compensation. Lastly, it should be noted that Article 3 of Decree-Law no. 13 of 25 February 2022, published in the Official Gazette on the same date, provides that, in the event that the tax credits pursuant to Articles 121 and 122 of Decree-Law no. 34 of 2020, converted, with amendments, by Law no. 77 of 2020, cannot be used because they have been seized by the judicial authorities, the time limit for the use of the quotas remaining at the time of the seizure is increased by a period equal to the duration of the seizure.

Furthermore, it should be noted that as at 31 December 2021, prepayments related to the extraordinary incentive treatment that the Bank grants to financial advisors joining the Network were represented in the item "Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities", while as at 31 December 2020 they were represented in the item "Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities", for an amount of €19,529 thousand. Specific evidence was also provided for debit card transactions to be debited to customers, item "Items in processing - POS, bancomat and Visa debit", represented at 31 December 2020 in the item "Definitive items not recognised under other items - other transactions".

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.

As described above, the opening balances have been changed as from 2021 the prepaid expenses related to the extraordinary incentive treatment that the Bank grants to financial advisors joining the Network have been represented in the item "Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities".

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Periodic Change of Accrued Income/Expenses and Prepaid Expenses/Income

(Amounts in € thousand)

	Accrued income and prepaid expenses 12/31/2021	Accrued expenses and prepaid income 12/31/2021
Opening balance	**30,696**	**9,731**
Change in opening balances	19,529	-
Increases	**58,988**	**14,423**
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	58,988	14,423
Decreases	**(29,647)**	**(6,268)**
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)	(1)	-
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	(29,646)	(6,268)
Closing balances	**79,566**	**17,886**

The item "Increases f) other" includes the value as at 31 December 2021 of the accruals that arose in the year 2021. The item “Decreases f) other" includes the reversal to profit and loss, for the portion pertaining to the year 2021, of the accruals existing at 31 December 2020.

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".

Part B – Balance sheet

Transaction price allocated to the remaining performance obligations

(Amounts in € thousand)

	Expected duration of performance <=1 year 12/31/2021	Expected duration of performance >1 year 12/31/2021
Unsatisfied (or Partially Unsatisfied) Performance Obligations - Duration - Other Assets (IFRS 15 Par 120a)	18,542	-
Unsatisfied (or Partially Unsatisfied) Performance Obligations - Duration - Other Liabilities (IFRS 15 Par 120a)	1,311	4,879
Total	**19,853**	**4,879**

Lastly, please note that the aggregate amount of revenues from services to customers related to the portion of performance obligations not yet satisfied, showed in the table above "Transaction price allocated to the remaining performance obligations" is equal to € 24,732 thousand. 80% 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 12/31/2021				Total 12/31/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**1,034,228**	X	X	X	**949,604**	X	X	X
2. Deposits from banks	**190,985**	X	X	X	**115,255**	X	X	X
2.1 Current accounts and demand deposits	62,800	X	X	X	43,317	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	42,437	X	X	X	53,422	X	X	X
2.3.1 Repos	42,437	X	X	X	53,422	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Liabilities in respect of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
2.5 Lease liabilities	3,910	X	X	X	4,225	X	X	X
2.6 Other liabilities	81,838	X	X	X	14,291	X	X	X
Total	**1,225,213**	**-**	**1,032,069**	**190,985**	**1,064,859**	**-**	**942,640**	**115,255**

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

Item 1. "Deposits from central banks" only includes liquidity received by the central bank as part of TLTRO III operations. In particular, FinecoBank participated in the 6th and 7th tranches of the TLTRO III programme for a total amount of €1,045,000 thousand.

Item 2.3.1 "Loans - Repos" does not include the technical form of securities lending with collateral consisting of other securities or without collateral. These transactions are shown under "off-balance sheet" in table A.1.6 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.

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 12/31/2021				Total 12/31/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	29,518,974	X	X	X	28,033,748	X	X	X
2. Time deposits	1	X	X	X	213	X	X	X
3. Loans	100,301	X	X	X	103,584	X	X	X
3.1 Repos	100,301	X	X	X	103,584	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Liabilities in respect of commitments to repurchase treasury shares	-	X	X	X	-	X	X	X
5. Lease payables	60,824	X	X	X	61,288	X	X	X
6. Other liabilities	155,830	X	X	X	151,488	X	X	X
Total	**29,835,930**	**-**	**-**	**29,835,930**	**28,350,321**	**-**	**213**	**28,350,109**

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 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 12/31/2021				Total 12/31/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
A. Debts securities including bonds								
1. bonds	497,266	489,712	-	-	-	-	-	-
1.1 structured	-	-	-	-	-	-	-	-
1,2 other	497,266	489,712	-	-	-	-	-	-
2. other securities	-	-	-	-	-	-	-	-
2.1 structured	-	-	-	-	-	-	-	-
2.2 other	-	-	-	-	-	-	-	-
Total	**497,266**	**489,712**	**-**	**-**	**-**	**-**	**-**	**-**

In October, FinecoBank completed the placement of its first issue on the market of Senior Preferred instruments for a total amount of €500 million and a coupon for the first 5 years of 0.5%.

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 finance 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	**10,435**	**9,127**	**8,919**	**8,294**	**7,004**	**20,954**
- Lease liabilities - Banks	360	383	391	400	409	1,967
- Lease liabilities - Customers	10,075	8,744	8,528	7,894	6,595	18,987

The amount of cash flows for leasing paid during 2021 is equal to € 11,425 thousand.

Part B – 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 12/31/2021					Total 12/31/2020				
	NA	Fair Value			Fair Value *	NA	Fair Value			Fair Value *
		L1	L2	L3			L1	L2	L3	
A. On-balance sheet liabilities										
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-
2. Deposits from customers	589	272	-	-	272	593	467	-	18	485
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)	**589**	**272**	**-**	**-**	**272**	**593**	**467**	**-**	**18**	**485**
B. Derivatives										
1. Financial derivatives	X	2,214	1,931	-	X	X	3,561	1,843	-	X
1.1 Trading derivatives	X	2,214	1,931	-	X	X	3,561	1,843	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credits derivatives	X	-	-	-	X	X	-	-	-	X
2.1 Trading derivatives	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total (B)	**X**	**2,214**	**1,931**	**-**	**X**	**X**	**3,561**	**1,843**	**-**	**X**
Total (A+B)	**X**	**2,486**	**1,931**	**-**	**X**	**X**	**4,028**	**1,843**	**18**	**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 refer to the negative valuation of CFD contracts on forex, indices, shares, interest rates, commodities Knock Out Options and Turbo Certificates issued, as well as derivative contracts regulated or entered into with institutional counterparties used for the operational hedging of the above mentioned derivatives. They amounted to € 2,214 thousand (€1,876 thousand as at December 31, 2020).

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"). They amounted to € 1,931 thousand (€ 3,528 thousand as at December 31, 2020).

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 12/31/2021			NA	Fair value 12/31/2020			NA
	L1	L2	L3	12/31/2021	L1	L2	L3	12/31/2020
A. Financial derivatives	**-**	**57,313**	**-**	**2,638,780**	**-**	**214,388**	**-**	**6,257,777**
1) Fair value	-	57,313	-	2,638,780	-	214,388	-	6,257,777
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**57,313**	**-**	**2,638,780**	**-**	**214,388**	**-**	**6,257,777**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Part B – 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						Macro	Micro	Macro	
	Debt securities and interest rates	Equities and equity index	Currencies and gold	Credit	Commodity	Others				
1. Financial assets at fair value through other comprehensive income	-	-	-	-	X	X	X	-	X	X
2. Financial assets at ammortised cost	36,855	X	-	-	X	X	X	-	X	X
3. Portfolio	X	X	X	X	X	X	20,458	X	-	X
4. Other transactions	-	-	-	-	-	-	X	-	X	-
Total assets	**36,855**	**-**	**-**	**-**	**-**	**-**	**20,458**	**-**	**-**	**-**
1. Financial liabilities	-	X	-	-	-	-	X	-	X	X
2. Portfolio	X	X	X	X	X	X	-	X	-	X
Total liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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 Adjustments to the value of hedged financial liabilities: breakdown by hedged portfolio

(Amounts in € thousand)

Adjustments to the value of hedged liabilities/Amounts	Total 12/31/2021	Total 12/31/2020
1. Positive changes to financial liabilities	7,950	17,714
2. Negative changes to financial liabilities	-	-
Total	**7,950**	**17,714**

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 12/31/2021	Total 12/31/2020
Payables to Directors and Statutory auditors	183	195
Payables to employees	12,850	12,788
Social security contributions payable	7,818	7,012
Current payables not related to the provision of financial services	29,826	30,716
Payables for share-based payments	35	47
Definitive items not recognised under other items:	51,354	49,335
- securities and coupons to be settled	11,535	11,513
- payment authorisations	27,339	28,777
- other items	12,480	9,045
Tax items other than those included in the item "Tax liabilities":	102,028	48,532
- sums withheld from third parties as withholding agent	54,332	37,519
- other	47,696	11,013
Illiquid items for portfolio transactions	15,407	23,273
Items awaiting settlement:	88,879	83,525
- outgoing bank transfers	88,851	83,522
- POS and ATM cards	28	3
Items in processing:	1,018	662
- incoming bank transfers	986	647
- other items in processing	32	15
Accrued expenses and deferred income other than those related to contracts with customers and other than capitalised on the related financial assets or liabilities	361	160
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	17,886	9,731
Sums available to be paid to customers	8,758	3,991
Total	**336,403**	**269,967**

Part B – Balance sheet

Section 9 - Provisions for employee severance pay - Item 90

9.1 Provisions for employee severance pay: annual changes

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
A. Opening balance	**4,924**	**4,810**
B. Increases	**163**	**125**
B.1 Provision of the year	32	40
B.2 Other increases	131	85
C. Decreases	**(54)**	**(11)**
C.1 Payments made	(54)	(11)
C.2 Other decreases	-	-
D. Closing balances	**5,033**	**4,924**
Total	**5,033**	**4,924**

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, 2021 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 31, 2006 were kept with the Company, whilst the amounts of employee severance pay provision accruing as of 1 January 2007 were transferred to the supplementary pension funds or the INPS Treasury fund according to the option adopted by the employees (within June 30, 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 1, 2007 and June 30, 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 1, 2007 (or from the date of the option - falling between 1 January 2007 and June 30, 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	12/31/2021	12/31/2020
Discount rate	1.00%	0.65%
Expected inflation rate	1.80%	0.90%

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(Amounts in € thousand)

Employee severance pay provision: other information	Total 12/31/2021	Total 12/31/2020
Provisions for the year	**32**	**40**
- Current service cost	-	-
- Interest expense on defined benefit obligations	32	40
- Gains and losses on curtailments and settlements	-	-
- Past service cost	-	-
Actuarial gains (losses) recognised in revaluation reserves (OCI)	**131**	**35**
- Actuarial gains (losses) for the year	35	(52)
- Actuarial gains/losses on demographic assumptions	-	-
- Actuarial gains/losses on financial assumptions	96	87

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 €133 thousand (+2.64%), whereas an equivalent increase in the rate would result in a reduction of the liability of € 128 thousand (-2.54%). A change of -25 basis points in the inflation rate would result in a decrease in the liability of € 77 thousand (-1.53 %), whereas an equivalent increase in the rate would result in an increase in the liability of € 78 thousand (+1.56%).

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions risk and charges: breakdown

(Amounts in € thousand)

Items/Components	Total 12/31/2021	Total 12/31/2020
1. Provisions for credit risk of commitments and financial guarantees given	52	61
2. Provisions for other commitments and other guarantees given	-	-
3. Provisions for retirement payments and similar obligations	-	-
4. Other provisions for risks and charges	116,704	112,580
4.1 legal and tax disputes	28,288	28,363
4.2 staff expenses	5,918	5,088
4.3 other	82,498	79,129
Total	**116,756**	**112,641**

Item 4.1 “legal and tax disputes” mainly includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties for € 24,552 thousand (€24,627 thousand as at December 31, 2020) and provisions for tax disputes (penalties and interest) for € 3,736 thousand (€3,736 thousand as at December 31, 2020). 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 € 79,801 thousand (€73,136 thousand as at December 31, 2020), the Provision for contractual payments, of € 434 thousand (€416 thousand as at December 31, 2020) and other provisions made for risks related to the

Bank's business and operations, of € 2,263 thousand (€5,577 thousand as at December 31, 2020), including, in particular, 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	**-**	**-**	**112,580**	**112,580**
B. Increases	**-**	**-**	**18,442**	**18,442**
B.1 Provisions for the year	-	-	16,387	16,387
B.2 Changes due to the passage of time	-	-	415	415
B.3 Changes due to variations in the discount rate	-	-	41	41
B.4 Other increases	-	-	1,599	1,599
C. Decreases	**-**	**-**	**(14,318)**	**(14,318)**
C.1 Amounts used in the year	-	-	(14,278)	(14,278)
C.2 Changes due to variations in the discount rate	-	-	(40)	(40)
C.3 Other decreases	-	-	-	-
D. Closing balance	**-**	**-**	**116,704**	**116,704**

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.

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				
	First stage	Second stage	Third stage	Purchased or originated impaired	Total
1. Obligation to distribute funds	29	-	-	-	29
2. Financial warranties release	23	-	-	-	23
Total	**52**	**-**	**-**	**-**	**52**

10.4 Provisions for other commitments and other guarantees given

No data to report.

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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 12/31/2021	Total 12/31/2020
Legal and fiscal disputes	**28,288**	**28,363**
- Pending cases	20,635	20,518
- Complaints	3,917	4,109
- Tax disputes	3,736	3,736
Staff expenses	**5,918**	**5,088**
Others	**82,498**	**79,129**
- Supplementary customer indemnity provision	79,801	73,136
- Provision for contractual payments and payments under non-competition agreements	434	416
- Other provisions	2,263	5,577
Total provisions for risks and charges - other provisions	**116,704**	**112,580**

(Amounts in € thousand)

Provisions for risks and charges	Total 12/31/2020	Uses	Transfers and other changes	Actuarial gains (losses) IAS 19R *	Net provisions**	Total 12/31/2021
Legal and fiscal disputes	**28,363**	**(2,673)**	**-**	**-**	**2,598**	**28,288**
- Pending cases	20,518	(2,508)	572	-	2,053	20,635
- Complaints	4,109	(165)	(572)	-	545	3,917
- Tax disputes	3,736	-	-	-	-	3,736
Staff expenses	**5,088**	**(5,007)**	**-**	**-**	**5,837**	**5,918**
Others	**79,129**	**(6,598)**	**-**	**1,599**	**8,368**	**82,498**
- Supplementary customer indemnity provision	73,136	(1,381)	-	1,584	6,462	79,801
- Provision for contractual payments and payments under non-competition agreements	416	-	-	15	3	434
- Other provisions	5,577	(5,217)	-	-	1,903	2,263
Total provisions for risks and charges - other provisions	**112,580**	**(14,278)**	**-**	**1,599**	**16,803**	**116,704**

* 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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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	12/31/2021	12/31/2020
Discount rate	1.00%	0.65%
Rate salary increase	0.00%	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 € 2,047 thousand (+2.57%); an equivalent increase in the rate, on the other hand, would reduce the liability by € 1,968 thousand (-2,47%). A change of -25 basis points in the salary base would result in a reduction in the liability of € 505 thousand (-0.63%); an equivalent increase in the rate, on the other hand, would result in an increase in liabilities of € 517 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 € 5 thousand (+1.97%); an equivalent increase in the rate, on the other hand, would reduce the liability by € 5 thousand (-1.91%). 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, 2021 an analysis was conducted to assess the impact on the provision is made of a variation of +/- 25 basis points in the discount rate and no significant impacts were found.

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 **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 staff expenses** includes provisions made in relation to the variable remuneration to be paid to employees in subsequent years which have an uncertain due date and amount.

The **Provision for contractual payments and payments under non-competition agreements** is related to a limited number of personal financial advisors; these payments are contractually provided. More specifically, the non-competition agreement is an extension of the loyalty obligation at the end of the employment contract which protects the Bank from competition from former personal financial advisors; contractual payments are a special indemnity that the Bank agrees to pay to personal financial advisors, who opted to transfer the rights and obligations arising from their contract with the Bank to third parties, where these advisors continue to keep an ethical and professional conduct with the Bank after termination of employment, with specific regard to the customer portfolio. The amount of the obligation at the end of the period relating to contractual payments was assessed with the aid of an independent actuary.

The **Provision for tax disputes** is allocated to cover tax demands received from the Italian Revenue Agency following tax audits carried out on the Bank over the years, in relation to which the Bank considers it has calculated the tax correctly and legitimately and has therefore submitted an appeal at various levels of proceedings.

The above provisions for risks and charges include the allocations for fines and interest for the additional tax being contested and requested by the Tax Authorities through tax bills or payment notices paid and for the estimated amount of legal expenses to be incurred in the various proceedings.

For more details, see Part E – Information on risks and hedging policies – Section 1.5 – Operational risk – paragraph "Risks arising from tax disputes and audits" of these notes to the accounts.

The **Other Provisions** are mainly allocated to cover the risks related to the business and operations of the Bank, including, in particular, provisions for training events for financial advisors. At 31 December 2020, Other provisions also included provisions for incentive plans for the personal financial advisors, paid in 2021.

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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 31, 2021, share capital came to € 201,267 thousand, comprising 609,899,770 ordinary shares with a par value of € 0.33 each.

As at 31 December 2021, the Bank held in the portfolio 122,866 FinecoBank ordinary shares, in order to execute the PFA incentive plans of the Bank, corresponding to 0.02% of the share capital, for an amount of € 1,440 thousand. During 2021 n. 55,000 shares, for an amount of € 820 thousand, were purchased in relation to the "2020 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 11,548, n. 5,527, n. 10,306 and n. 24,687 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2016 PFA Incentive System", "2017 PFA Incentive System", "2018 PFA Incentive System" and "2019 PFA Incentive System" , for an amount of €570 thousand.

On February 9, 2021, in view of the favourable opinion provided by the Remuneration Committee in its meeting of February 8, 2021, the Board of Directors of FinecoBank approved execution of the following incentive/loyalty systems:

- 2018-2020 Long Term Incentive Plan for Employees. In particular, we approved the allotment of 104,629 free ordinary shares to the beneficiaries of the first tranche of the Plan, assigned in 2018, and consequently an increase in Share capital for a total amount of €35 thousand with effect from 31 March 2021;
- 2015, 2016, 2017, 2018, 2019 and 2020 Incentive systems for employees. In particular, we approved the allotment of 241,098 free ordinary shares to the beneficiaries of the fourth equity tranche of the 2015 Incentive System, of the third tranche of the 2016 Incentive System, of the second tranche of the 2017 Incentive System, of the first tranche of the 2018 Incentive System, of the second tranche of the severance agreed in 2018 for an executive with strategic responsibilities, awarded in 2019, and of the first tranche of the 2019 Incentive System and, consequently, an increase in Share capital for a total amount of € 80 thousand with effect from 31 March 2021.

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

(Amounts in € thousand)

	Total 12/31/2021	Total 12/31/2020
Share capital	201,267	201,153
Share premium reserve	1,934	1,934
Reserves	634,146	648,882
- Legal reserve	40,253	40,229
- Extraordinary reserve	550,415	571,228
- Treasury shares reserve	1,440	1,189
- Other reserves	42,040	36,238
(Treasury shares)	(1,440)	(1,189)
Revaluation reserves	(5,877)	(2,833)
Equity instruments	500,000	500,000
Net Profit (Loss) for the year	368,601	323,123
Total	**1,698,633**	**1,671,072**

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12.2 Share capital - Number of shares: annual changes

(Amounts in € thousand)

Items/Type	Ordinary	Others
A. Shares outstanding at the beginning of the year	**609,434,109**	**-**
- fully paid	609,554,043	-
- not fully paid	-	-
A.1 treasury shares (-)	(119,934)	-
A.2 Shares outstanding: Opening balance	**609,434,109**	**-**
B. Increases	**397,795**	**-**
B.1 New issues	345,727	-
- against payment:	-	-
- business combination	-	-
- bonds converted	-	-
- warrants exercised	-	-
- others	-	-
- free:	345,727	-
- to employees	327,390	-
- to directors	-	-
- others	18,337	-
B.2 Sales of treasury shares	-	-
B.3 Other changes	52,068	-
C. Decreases	**(55,000)**	**-**
C.1 Cancellation	-	-
C.2 Purchase of treasury shares	(55,000)	-
C.3 Business transferred	-	-
C.4 Other changes	-	-
D. Shares outstanding: closing balance	**609,776,904**	**-**
D.1 Treasury shares (+)	122,866	-
D.2 Shares outstanding at the end of the year	609,899,770	-
- fully paid	609,899,770	-
- not fully paid	-	-

The item B.3 “Other changes” reports the shares allocated to the personal financial advisors under the stock granting plans "2016 PFA Plan", “2017 PFA Plan”, “2018 PFA Plan” and “2019 PFA Plan” for FinecoBank’s Personal Financial Advisors and Network Managers.

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 € 40,253 thousand;
- Extraordinary reserve, amounting to € 550,414 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;
- Reserve for treasury shares held, amounting to € 1,440 thousand;
- Reserves of unavailable profits pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 5,646 thousand.

Part B – Balance sheet

As previously mentioned in para. 12.1 "Share capital and Treasury shares: breakdown", the Board of Directors of FinecoBank held on February 9, 2021 approved execution of the incentive/loyalty systems "with a consequent increase in share capital against with the reserves from profits have been reduced for an amount of € 114 thousand. The same 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.

It should be noted that taking into account the Recommendations of the European Central Bank ECB/2020/62 of 15 December 2020 and of the Bank of Italy of 18 December 2020, concerning the policies on dividend distributions and share buybacks that credit institutions and banking groups should adopt in the economic context burdened by the COVID-19 emergency, the Board of Directors of FinecoBank, which met on 9 February 2021, had resolved to propose to the Shareholders' Meeting, called for 28 April 2021, the allocation to reserves of the entire profit for the 2020 financial year, amounting to € 323,123 thousand.

The FinecoBank Shareholders' Meeting of April 28, 2021 approved the allocation of profit for the year 2020 of FinecoBank S.p.A. as follows:

- € 24 thousand to the Legal reserve, corresponding to 0.007% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 322,506 thousand to the extraordinary reserve;
- € 593 thousand to the unavailable reserve pursuant to Article 6, paragraph 1, letter a) of Legislative Decree no. 38/2005.

On 23 July 2021, the European Central Bank decided not to extend Recommendation ECB/2020/62 beyond September 2021, inviting banks to adopt prudence in their decisions on dividends and share buybacks, carefully considering the sustainability of their business model and without underestimating the risk that additional losses could later affect the evolution of their capital profile when the support measures adopted come to an end. On 27 July 2021, the Bank of Italy also published a new Recommendation on dividend distribution and variable remuneration policies of banks, which repeals the Recommendation of 16 December 2020, whereby, in line with the decision taken by the European Central Bank communicated that the previous Recommendation on dividends and remuneration policies would remain in force until 30 September 2021 and that the Bank of Italy would return to adopting the criteria for assessing capital and dividend distribution and share repurchase plans by banks as part of the ordinary SREP process.

Without prejudice to the dialogue then underway with the Bank of Italy, taking into account the shareholders' equity resulting from the financial statements for the year ended 31 December 2020, the sustainability of the business model and the regulatory constraints to which FinecoBank is subject, also in its capacity as Parent Company of the FinecoBank Banking Group, the Board of Directors of 3 August 2021 resolved to propose to the Shareholders' Meeting the distribution of a unit dividend of € 0.53 for each of the 609,899,770 shares, to be distributed to the Shareholders holding ordinary shares entitled to payment on the scheduled dividend date, for a total amount of € 323,247 thousand, drawn from available revenue reserves. On 21 October 2021, the Shareholders' Meeting approved the above proposal. The coupon was detached on 22 November 2021 and paid on 24 November 2021.

As previously mentioned in para. 12.1 "Share capital and Treasury shares: breakdown", during 2021 n. 55,000 shares, for an amount of € 820 thousand, were purchased in relation to the "2020 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 11,548, n. 5,527, n. 10,306 and n. 24,687 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2016 PFA Incentive System", "2017 PFA Incentive System", "2018 PFA Incentive System" and "2019 PFA Incentive System" , for an amount of € 570 thousand. Consequently, the Reserve for treasury shares increased by a total of € 251 thousand, with a simultaneous reduction in the Extraordinary reserve.

In addition, during 2021 the Extraordinary Reserve was used for the payment of the coupon of the Additional Tier 1 issued by the Bank on 31 January 2018, for € 6,989 thousand net of the related taxation, and for the payment of the transaction costs directly attributable to the issue and of the coupon of the Additional Tier 1 issued on 11 July 2019, for an amount of € 12,778 thousand net of the related taxation.

Lastly, it should be noted that the 2021 Stability Law expressly recognised the possibility of also applying the tax realignment provisions of Article 110 of Legislative Decree 104 of 2020 in relation to business assets to goodwill and other intangible assets recorded in the financial statements as at 31 December 2019. In this respect, the Board of Directors, in its meeting of 10 June 2021, resolved to realign the tax values of the goodwill recorded in FinecoBank's financial statements as at 31 December 2019 for a total amount of € 89,025 thousand. As a result of the aforementioned realignment, a restriction on taxability in the event of a distribution was allocated from the Extraordinary Reserve for an amount of € 86,354 thousand, equal to the amount of the realigned goodwill net of the substitute tax paid.

Part B – Balance sheet

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	201,267					
Equity instruments	500,000					
Share premium reserve	1,934	A, B, C	1,934	(1)		
Reserves:						
Legal reserve	40,253	B	40,253			
Extraordinary reserve	464,061	A, B, C	464,061			44,786
Extraordinary reserve in suspension of taxation	86,354	A, B	86,354	(2)		
Reserve related to equity-settled plans	36,392	A, B, C	21,952			19,899
Reserve for treasury shares	1,440					
Reserves of unavailable profits (art. 6 para. 2 of Legislative Decree 38/2005)	5,646	B	5,646	(3)		
Revaluation reserves:						
Revaluation reserves for financial assets at fair value through comprehensive income	410			(4)		
Revaluation reserves for actuarial gains (losses) from defined benefit plans	(6,287)					
TOTAL	**1,331,470**		**620,200**			
Undistributable amount			132,253			
Distributable amount			487,947			

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, 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.

The above table shows that the distributable amount is €487,947 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 2021 financial year, the allocation of which will be subject to approval by the Shareholders' Meeting of 28 April 2022.

The uses of the reserves made in the previous three years are shown in detail below.

2018 financial year:

- use of the "Extraordinary reserve" for €228 thousand for the capital increase of the second tranche of the "2014-2017 Multi-year Plan Top Management" plan, of the second tranche of the "Incentive System 2014" plan and of the first tranche of the "Incentive System 2015" plan;
- use of the "Extraordinary reserve" for the payment of the transaction costs directly attributable to the issue and of the coupon of the Additional Tier 1 issued on 31 January 2018, for €5,958 thousand net of the related taxation;
- use of the "Reserve related to the equity-settled plans" for €6,548 thousand following the allocation to the Personal financial advisors and Network Manager of the Bank of FinecoBank ordinary shares held in the portfolio, as part of the first tranche of the stock granting plan "2015-2017 PFA PLAN".

2019 financial year:

- use of the "Extraordinary reserve" for €168 thousand for the capital increase of the third tranche of the "2014-2017 Multi-year Plan Top Management" plan, of the third tranche of the "Incentive System 2014" plan, of the second tranche of the "Incentive System 2015" plan and of the first tranche of the " Incentive System 2016" plan;
- use of the "Extraordinary reserve" for the payment of the transaction costs directly attributable to the issue and of the coupon of the Additional Tier 1 issued on 31 January 2018, for €6,989 thousand net of the related taxation, and the payment of the transaction costs

directly attributable to the issue and of the coupon of the Additional Tier 1 issued on 11 July 2019, for €1,764 thousand and for €4,818 thousand, respectively, net of the related taxation;

- use of the "Reserve related to the equity-settled plans" for €6,790 thousand following the allocation to the Personal financial advisors and Network Manager of the Bank of FinecoBank ordinary shares held in the portfolio, as part of the second tranche of the stock granting plan "2015-2017 PFA PLAN" and of the first tranche of the "2016 PFA PLAN".

2020 financial year:

- 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 31, 2018, in the amount of €6,989 thousand net of related taxes, and of the Additional Tier 1 financial instrument issued on July 11, 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 euro 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 PFA Incentive System" plan and the first tranche of the "2017 PFA Incentive System" plan.

12.5 Equity instruments: breakdown and annual changes

Equity instruments includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement[44], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of €300 million. The coupon for the first 5 years has been fixed at 5.875%.

No Equity Instruments were issued during the 2021 financial year.

12.6 Other information

No data to report.

[44] 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 on financial release obligations and guarantees				Total 12/31/2021	Total 12/31/2020
	First stage	Second stage	Third stage	Purchased or originated impaired		
1. Commitment to supply funds	**17,791**	**420**	**11**	**-**	**18,222**	**22,600**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	-	-	-	-	-	-
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	55	-	-	-	55	-
f) Families	17,736	420	11	-	18,167	22,600
2. Financial guarantees issued	**27,533**	**-**	**-**	**-**	**27,533**	**20,817**
a) Central Banks	-	-	-	-	-	-
b) Public Administration	-	-	-	-	-	-
c) Banks	17,170	-	-	-	17,170	17,170
d) Other financial companies	-	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-	-
f) Families	10,363	-	-	-	10,363	3,647

The commitments to disburse funds mainly include the commitments to disburse reverse repos.

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 31, 2020). It worth noting that UniCredit S.p.A. has also renewed the request for release for the consolidation of pending charges to the competent office of the Regional Directorate of Liguria and the Bank is awaiting the related response.

2. Other commitments and other guarantees given

(Amounts in € thousand)

	Nominal amount Total 12/31/2021	Nominal amount Total 12/31/2020
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	**2,031,840**	**1,718,119**
of which: impaired	85	284
a) Central Banks	-	-
b) Governments	-	-
c) Banks	1,349	2,138
d) Other financial companies	21,237	34,098
e) Non-financial companies	613	267
f) Households	2,008,641	1,681,616

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 12/31/2021	Amounts 12/31/2020
1. Financial assets at fair value through profit and loss	2	-
2. Financial assets at fair value through other comprehensive income	-	76,524
3. Financial assets at amortized cost	4,611,751	5,082,729
4. Property, plant and equipment	-	-
of which: Property, plant and equipment material assets that constitute inventories	-	-

Assets given as collateral for own liabilities and commitments shown in the above table refer to:

- debt securities, mainly government bonds, pledged as collateral of repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of said transaction. The bonds are given as collateral for the entire duration of the transaction;
- debt securities, mainly government bonds, pledged as collateral for bankers' drafts, as guarantee for transactions with the Cassa di Compensazione e Garanzia, to guarantee the operation in foreign markets and/or as guarantee for transactions in derivatives. Securities are used as collateral until the Group decides to stop the transactions for which the collateral or guarantees are granted;
- debt securities, mainly securities of supranational issuers, pledged as collateral for the TLTRO III programme. It should be noted that some of the securities pledged as collateral, amounting to € 42,528 thousand, are available as the Bank has drawn down a smaller amount than the credit line granted by the Central Bank;
- debt securities issued by UniCredit S.p.A. given as collateral in securities lending transactions carried out with customers. The securities are given as collateral for the entire duration of the transaction.

In addition to the assets shown in the table above, the Bank recognised variation margins, initial margins and guarantee deposits, including the default fund, against transactions in derivative contracts and financial instruments totalling € 257,346 thousand (€ 452,396 thousand at 31 December 2020) in “Financial assets at amortised cost”.

Part B – Balance sheet

4. Asset management and trading on behalf of others

(Amounts in € thousand)

Type of service	Total 12/31/2021
1. Execution of orders for customers	**399,705,811**
Securities	**116,394,191**
a) purchases	58,893,916
1. settled	58,555,269
2. unsettled	338,647
b) sales	57,500,275
1. settled	57,156,789
2. unsettled	343,486
Derivative contracts	**283,311,620**
a) purchases	141,641,905
1. settled	141,579,113
2. unsettled	62,792
b) sales	141,669,715
1. settled	141,608,424
2. unsettled	61,291
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	16,250,020
1. securities issued by the bank preparing the accounts	4,133
2. other securities	16,245,887
c) third-party securities deposited with third parties	16,250,020
d) own securities deposited with third parties	23,686,440
4. Other transactions	**51,723,348**
Order receipt and transmission	51,723,348
a) purchases	25,701,556
b) sales	26,021,792

Part B – Balance sheet

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 subject to accounting offsetting		Net amounts (f=c-d-e) 12/31/2021	Net amount 12/31/2020
					Financial instruments (d)	Cash deposit received as guarantee (e)		
1. Derivatives		509	-	509	-	509	-	358
2. Reverse repos		3,067,815	3,067,815	-	-	-	-	-
3. Securities lending		222	-	222	222	-	-	-
4. Others		-	-	-	-	-	-	-
Total	**12/31/2021**	**3,068,546**	**3,067,815**	**731**	**222**	**509**	**-**	**X**
Total	**12/31/2020**	**2,172,142**	**2,168,896**	**3,246**	**1,348**	**1,540**	**X**	**358**

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) 12/31/2021	Net amount 12/31/2020
					Financial instruments (d)	Cash deposit received as guarantee (e)		
1. Derivatives		-	-	-	-	-	-	-
2. Reverse repos		3,076,242	3,067,815	8,427	8,427	-	-	-
3. Securities lending		66,892	-	66,892	63,492	-	3,400	1,709
4. Others		-	-	-	-	-	-	-
Total	**12/31/2021**	**3,143,134**	**3,067,815**	**75,319**	**71,919**	**-**	**3,400**	**X**
Total	**12/31/2020**	**2,243,297**	**2,168,896**	**74,401**	**72,692**	**-**	**X**	**1,709**

The amount of assets and liabilities offset in the financial statements refers to the repurchase agreements executed on the MTS market and settled through a Central Counterparty. It should also be noted that, at December 31, 2021 there were swap derivative contracts with a positive fair value of € 126,940 thousand and a negative fair value of € 57,313 thousand, for which a positive variance margin of € 74,991 thousand was received, not shown in the table above as it is cleared at a Central Counterparty since it refers to client-trade exposures. Such exposures were subject to the prudential treatment set out in Article 305 of (EU) Regulation no. 575/2013.

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 € 44,232 thousand, for a fair value of € 133,239 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 €1,302,689 thousand.

(Amounts in € thousand)

	Type of securities - Nominal value December, 31 2021		
Securities received on loan from:	**Sold**	**Sold in repos**	**Other purposes**
Banks	-	-	-
Financial companies	-	2	-
Insurance companies	-	-	-
Non-financial companies	-	101	10
Other entities	568	39,259	4,292
Total nominal value	**568**	**39,362**	**4,302**

(Amounts in € thousand)

	Type of securities - Fair value December, 31 2021		
Securities received on loan from:	**Sold**	**Sold in repos**	**Other purposes**
Banks	-	-	-
Financial companies	-	27	-
Insurance companies	-	-	-
Non-financial companies	-	327	18
Other entities	272	118,674	13,921
Total *fair value*	**272**	**119,028**	**13,939**

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 2021	Total 2020
1. Financial assets valued at fair value though profit and loss:	**4**	**-**	**-**	**4**	**3**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatory at fair value	4	-	-	4	3
2. Financial assets at fair value through other comprehensive income	**695**	**-**	**X**	**695**	**1,274**
3. Financial assets at amortised cost:	**192,818**	**75,857**	**X**	**268,675**	**292,614**
3.1 Loans and receivables with banks	59,469	89	X	59,558	99,665
3.2 Loans and receivables with customers	133,349	75,768	X	209,117	192,949
4. Hedging derivatives	**X**	**X**	**(34,309)**	**(34,309)**	**(21,024)**
5. Other assets	**X**	**X**	**2,448**	**2,448**	**436**
6. Financial liabilities	**X**	**X**	**X**	**13,085**	**5,005**
Total	**193,517**	**75,857**	**(31,861)**	**250,598**	**278,308**
of which: income interests on impaired financial assets	-	208	-	208	196
of which: interest income on financial lease	X	-	X	-	-

The comparative figures for the 2020 financial year have been restated in line with the amendment to the balance sheet introduced by the 7th update of 29 October 2021 of Bank of Italy Circular 262, which provides for the recognition of current accounts and demand deposits with banks under item 10. "Cash and cash balances". Interest accrued on these on-demand receivables is recognised in item "5. Other assets", while in the 2020 Financial Statements it was recognised in item "3. Financial assets at amortised cost: 3.1 Loans and receivables with banks" in the amount of € 370 thousand.

The Item 6. "Financial liabilities" also includes the interest accrued on the TLTRO III transaction, for an amount of € 10,376 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 2021	Total 2020
Interest income on foreign currency financial assets	9,261	10,686

Part C - Income statement

1.3 Expense interests and similar obligation: composition

(Amounts in € thousand)

Items/Technical forms	Debts	Securities	Other operations	Total 2021	Total 2020
1. Financial liabilities valued at amortized cost	(1,641)	(614)	X	(2,255)	(7,178)
1.1 Debts to central banks	-	X	X	-	-
1.2 Debts to banks	(109)	X	X	(109)	(231)
1.3 Debts to customers	(1,532)	X	X	(1,532)	(6,947)
1.4 Securities in circulation	X	(614)	X	(614)	-
2. Financial trading liabilities	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and funds	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(4,868)	(3,211)
Total	**(1,641)**	**(614)**	**-**	**(7,123)**	**(10,389)**
of which: interest expense on lease payables	(971)	X	X	(971)	(1,054)

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 2021	Total 2020
Interest expense on liabilities denominated in currency	(956)	(3,249)

1.5 Hedging differential

(Amounts in € thousand)

Items	Total 2021	Total 2020
A. Positive hedging differentials	102,958	100,785
B. Negative hedging differentials	(137,267)	(121,809)
C. Balance (A-B)	**(34,309)**	**(21,024)**

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 2021	Total 2020
a) Financial instruments	158,264	163,342
1. Securities placement	18,273	16,569
1.1 Under firm assumption and/or on the basis of an irrevocable commitment	-	-
1.2 Without firm commitment	18,273	16,569
2. Receipt and transmission of orders and execution for customers	116,522	115,751
2.1 Receipt and transmission of orders for one or more financial instruments	40,666	38,674
2.2 Execution of orders on behalf of customers	75,856	77,077
3. Other fees connected with activities related to financial instruments	23,469	31,022
of which: trading on own account	23,469	31,022
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	76,789	66,305
d) Clearing and settlement	-	-
e) Custody and administration	868	694
1. Custodian bank	-	-
2. Other fees related to custody and administration	868	694
f) Central administrative services for collective portfolio management	-	-
g) Trust business	30	40
h) Payment services	72,598	55,960
1. Current account	23,490	13,100
2. Credit cards	27,492	25,459
3. Debit and other payment cards	13,034	9,998
4. Wire transfers and other payment orders	8,582	7,403
5. Other fees related to payment services	-	-
i) Distribution of third party services	425,116	330,681
1. Collective portfolio management	318,133	249,370
2. Insurance products	103,756	79,446
3. Other products	3,227	1,865
of which: individual portfolio management	3,227	1,865
j) Structured Finance	-	-
k) Servicing for securitization transactions	-	-
l) Commitments to disburse funds	-	-
m) Financial guarantees issued	60	38
of which: credit derivatives	-	-
n) Financing operations	431	582
of which: for factoring transactions	-	-
o) Currency trading	-	-
p) Goods	-	-
q) Other commission income	1,781	1,360
of which: for management activities of multilateral trading systems	-	-
of which: for management activities of organized trading systems	-	-
r) Securities lending transactions	10,267	8,144
Total	**746,204**	**627,146**

Part C - Income statement

The information on "Fee and Commission income: breakdown" has been modified following the entry into force of the 7th update of 29 October 2021 of Circular No. 262 "Bank financial statements: layouts and preparation", applicable from the financial statements for the year ended 31 December 2021. For the sake of consistency of comparison, the figures for the 2020 financial year have also been restated.

The amount of fees and commissions recognized in 2020 that was included in the contract liability balance at the beginning of the year is equal to €1,237 thousand (€ 1,110 thousand in 2020).

Lastly, it should be noted that item i) “Distribution of third party services 1. Collective portfolio management" also includes the maintenance commissions for UCIT units equal to € 310,992 thousand (€ 244,317 thousand in 2020).

Part C - Income statement

2.2 Fee and commission income: distribution channels for products and services

(Amounts in € thousand)

Channel/Amounts	Total 2021	Total 2020
b) at own branches:	**-**	**-**
1. portfolio management	-	-
2. placement of securities	-	-
3. third-party services and products	-	-
b) cold-calling:	**423,642**	**330,184**
1. portfolio management	-	-
2. placement of securities	15,198	13,581
3. third-party services and products	408,444	316,603
c) other distribution channels:	**19,747**	**17,066**
1. portfolio management	-	-
2. placement of securities	3,075	2,988
3. third-party services and products	16,672	14,078

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 2021	Total 2020
a) Financial instruments	(9,749)	(10,212)
of which: trading of financial instruments	(9,749)	(10,212)
of which: placement of financial instruments	-	-
of which: management of individual portfolios	-	-
- Own	-	-
- Delegated to third parties	-	-
b) Clearing and settlement	(6,366)	(5,235)
c) Custody and administration	(4,428)	(3,868)
d) Payment and collection services	(19,860)	(18,545)
of which: credit cards, debit cards and other payment cards	(13,362)	(12,521)
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	(346,706)	(247,951)
i) Currency trading	-	-
j) Other commission expenses	(122)	(103)
k) securities lending transactions	(1,593)	(1,630)
Total	**(388,824)**	**(287,544)**

The information on "Fee and Commission expenses: breakdown" has been modified, as provided for by the 7th update of Circular No. 262 "Bank financial statements: layouts and preparation", applicable starting from the financial statements for the year ending 31 December 2021. For the sake of consistency of comparison, the figures for the 2020 financial year have also been restated.

Item “h) Off-site offering of financial instruments, products and services”, includes costs incurred in relation to Equity Settled and Cash Settled plans assigned to personal financial advisors, that are respectively recorded against the item 140. “Reserves” of the net equity for an amount of € 1,076 thousand (€ 683 thousand as at December 31, 2020).

Part C - Income statement

Section 3 – Dividend income and similar revenues – Item 70

3.1 Dividend income and similar revenue: breakdown

(Amounts in € thousand)

Items/Income	Total 2021		Total 2020	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	153	-	56	-
B. Other financial assets mandatorily at fair value	46	-	52	-
C. Financial assets at fair value through other comprehensive income	-	-	-	-
D. Equity investments	61,574	-	52,059	-
Total	**61,773**	**-**	**52,167**	**-**

Item D. Equity Investments only includes dividends received by Fineco Asset Management DAC.

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

As at December 31, 2021

(Amounts in € thousand)

Transactions/Income items	Unrealised gain (A)	Realized gains (B)	Unrealized losses (C)	Realized losses (D)	Net profit (loss) [(A+B) = (C+D)]
1. Financial assets held for trading	**266**	**176,770**	**(328)**	**(163,138)**	**13,570**
1.1 Debt securities	-	3,810	-	(3,359)	451
1.2 Equity instruments	266	171,739	(328)	(158,642)	13,035
1.3 UCITS units	-	1,221	-	(1,137)	84
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**636**	**(5)**	**(751)**	**(120)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	-	636	(5)	(751)	(120)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**24,597**
4. Derivatives	**8,767**	**169,878**	**(8,704)**	**(140,816)**	**33,594**
4.1 Financial derivatives:	8,767	169,878	(8,704)	(140,816)	33,594
- On debt securities and interest rates	51	717	(49)	(405)	314
- On equity securities and share indices	8,585	146,641	(8,577)	(123,081)	23,568
- On currency and gold	**X**	**X**	**X**	**X**	4,469
- Others	131	22,520	(78)	(17,330)	5,243
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	**X**	**X**	**X**	**X**	-
Total	**9,033**	**347,284**	**(9,037)**	**(304,705)**	**71,641**

Part C - Income statement

As at December 31, 2020

(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**	**243,766**	**(179)**	**(224,836)**	**18,953**
1.1 Debt securities	-	6,608	-	(5,589)	1,019
1.2 Equity instruments	202	234,041	(179)	(216,360)	17,704
1.3 UCITS units	-	3,117	-	(2,887)	230
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**1**	**1,749**	**(22)**	**(2,524)**	**(796)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	1	1,749	(22)	(2,524)	(796)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**24,577**
4. Derivatives	**7,193**	**215,271**	**(8,078)**	**(174,954)**	**44,877**
4.1 Financial derivatives:	7,193	215,271	(8,078)	(174,954)	44,877
- On debt securities and interest rates	29	1,284	(34)	(1,207)	72
- On equity securities and share indices	7,108	189,526	(7,985)	(156,002)	32,647
- On currency and gold	X	X	X	X	5,445
- Others	56	24,461	(59)	(17,745)	6,713
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	**7,396**	**460,786**	**(8,279)**	**(402,314)**	**87,611**

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 2021	Total 2020
A. Gains on:		
A.1 Fair value hedging instruments	274,703	5,431
A.2 Hedged asset items (in fair value hedge relationship)	-	138,636
A.3 Hedged liability items (in fair value hedge relationship)	9,764	268
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**284,467**	**144,335**
B. Losses on:		
B.1 Fair value hedging instruments	(9,793)	(139,688)
B.2 Financial assets items (in fair value hedge relationship)	(272,169)	(1,023)
B.3 Hedged liability items (in fair value hedge relationship)	-	(3,883)
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(281,962)**	**(144,594)**
C. Fair value adjustments in hedge accounting (A-B)	**2,505**	**(259)**
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 2021			Total 2020		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
A. Financial assets						
1. Financial assets at amortized cost	29,429	(186)	29,243	7,418	(183)	7,235
1.1 Loans and receivables with banks	9,264	-	9,264	218	-	218
1.2 Loans and receivables with customers	20,165	(186)	19,979	7,200	(183)	7,017
2. Financial assets at fair value through other comprehensive income	2,898	-	2,898	1,770	-	1,770
2.1 Debt securities	2,898	-	2,898	1,770	-	1,770
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**32,327**	**(186)**	**32,141**	**9,188**	**(183)**	**9,005**
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.

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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 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

As at December 31, 2021

(Amounts in € thousand)

Transactions/Income items	Unrealized gain (A)	Realized gain (B)	Unrealized losses (C)	Realized losses (D)	Net Profit (loss) (A+B)-(C+D)
1. Financial assets	**1**	**90**	**(772)**	**(1)**	**(682)**
1.1 Debt securities	-	-	(4)	(1)	(5)
1.2 Equity securities	1	90	(768)	-	(677)
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in currency: exchange differences	**X**	**X**	**X**	**X**	**636**
Total	**1**	**90**	**(772)**	**(1)**	**(46)**

As at December 31, 2020

(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	**4,786**	**15**	**(4,852)**	**(1)**	**(52)**
1.1 Debt securities	-	9	(2)	-	7
1.2 Equity securities	4,786	6	(4,850)	(1)	(59)
1.3 UCITS units	-	-	-	-	-
1.4 Loans	-	-	-	-	-
2. Financial assets in currency: exchange differences	**X**	**X**	**X**	**X**	**(734)**
Total	**4,786**	**15**	**(4,852)**	**(1)**	**(786)**

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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	Total
	First stage	Second stage	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired	12/31/2021	12/31/2020
			Write-off	Others	Write-off	Others						
A. Loans and receivables with banks	**(27)**	**-**	**-**	**-**	**-**	**-**	**157**	**-**	**-**	**-**	**130**	**(18)**
- Loans	(19)	-	-	-	-	-	86	-	-	-	67	71
- Debt securities	(8)	-	-	-	-	-	71	-	-	-	63	(89)
B. Loans and receivables with customers	**(5,215)**	**(777)**	**(82)**	**(3,340)**	**-**	**-**	**6,363**	**661**	**1,666**	**-**	**(724)**	**(9,541)**
- Loans	(3,728)	(777)	(82)	(3,340)	-	-	3,869	661	1,666	-	(1,731)	(3,389)
- Debt securities	(1,487)	-	-	-	-	-	2,494	-	-	-	1,007	(6,152)
Total	**(5,242)**	**(777)**	**(82)**	**(3,340)**	**-**	**-**	**6,520**	**661**	**1,666**	**-**	**(594)**	**(9,559)**

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”.

8.1a Net impairment for credit risk related to loans and advances at amortized cost subject to measures applied in response to the COVID-19: breakdown

(Amounts in € thousand)

Operation / P&L item	Net Adjustments						Total 2021	Total 2020
	First stage	Second stage	Third stage		Purchased or originated impaired			
			Write-off	Others	Write-off	Others		
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	(1)	-	-	-	-	-	**(1)**	**(54)**
2. Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	(1)	-	-	-	-	-	**(1)**	**-**
3. Other loans and advances subject to COVID-19-related forbearance measures	-	(10)	-	-	-	-	**(10)**	**(29)**
4. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	**-**	**-**
Total	**(2)**	**(10)**	**-**	**-**	**-**	**-**	**(12)**	**(83)**

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8.2 Net impairment losses related to: financial assets measured at fair value with an impact on overall profitability

(Amounts in € thousand)

Transactions/Income	Adjustments (1)						Write - backs (2)				Total	Total
	First stage Write-off	Second stage Others	Third stage		Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired	2021	2020
			Write-off	Others	Write-off	Other						
A. Debt Securities	-	-	-	-	-	-	8	-	-	-	8	(15)
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- To clients	-	-	-	-	-	-	-	-	-	-	-	-
- To banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**8**	**-**	**-**	**-**	**8**	**(15)**

8.2.a Net impairment for credit risk related to loans and advances at fair value with an impact on overall profitability subject to measures applied in response to the COVID-19: breakdown

No data to report.

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Section 9 – Profit/loss from contract changes without cancellation – Item 140

9.1 Profit (loss) from contract changes: breakdown

(Amounts in € thousand)

Items/Income items	Total 2021			Total 2020		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
1. Financial assets valued at amortized cost	2	(2)	-	26	(3)	23
1.1 Receivables from banks	-	-	-	-	-	-
1.2 Receivables from customers	2	(2)	-	26	(3)	23
2. Financial assets valued at fair value through other comprehensive income	-	-	-	-	-	-
Total	**2**	**(2)**	**-**	**26**	**(3)**	**23**

Section 10 – Administrative costs – Item 160

10.1 Payroll costs: breakdown

(Amounts in € thousand)

Type of expenses/Sectors	Total 2021	Total 2020
1) Employees	(99,440)	(93,151)
a) wages and salaries	(67,297)	(62,982)
b) social security contributions	(17,185)	(16,756)
c) pension costs	(748)	(916)
d) severance pay	-	-
e) allocation to employee severance pay provision	(60)	(65)
f) provision for retirements and similar provisions:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(4,605)	(3,922)
- defined contribution	(4,605)	(3,922)
- defined benefit	-	-
h) costs related to share-based payments	(4,622)	(3,774)
i) other employee benefits	(4,923)	(4,736)
2) Other staffs	-	-
3) Directors and statutory auditors	(2,011)	(1,717)
4) Early retirement costs	-	-
5) Recovery of expenses for employees seconded to other companies	13	36
6) Refunds of expenses for third party employees seconded to the company	(9)	(189)
Total	**(101,447)**	**(95,021)**

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 €4,622 thousand (€3,774 thousand as at December 31, 2020).

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10.2 Average number of employees by category

	Data as at	
	2021	2020
Employees	**1,198**	**1,218**
(a) executives	30	29
(b) managers	411	396
(c) remaining employees	757	793
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 2021	Total 2020
Leaving incentives	127	58
Medical plan	(1,619)	(1,584)
Luncheon vouchers	(191)	(501)
Other	(3,240)	(2,709)
Total	**(4,923)**	**(4,736)**

The item "Other" mainly includes the cash component of benefits relating to employee incentive plans, amounting to € 2,159 thousand.

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10.5 Other administrative expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2021	Total 2020
1) INDIRECT TAXES AND DUTIES	**(144,808)**	**(116,739)**
2) MISCELLANEOUS COSTS AND EXPENSES		
A) Advertising expenses - Marketing and communication	**(20,875)**	**(22,395)**
Mass media communications	(17,680)	(19,819)
Marketing and promotions	(2,732)	(2,151)
Sponsorships	(456)	(360)
Conventions and internal communications	(7)	(65)
B) Expenses related to credit risk	**(1,549)**	**(1,442)**
Credit recovery expenses	(240)	(181)
Commercial information and company searches	(1,309)	(1,261)
C) Expenses related to personnel and to personal financial advisors	**(2,328)**	**(20,294)**
Other staff expenses	(245)	(579)
Personal financial advisor expenses	(2,015)	(19,510)
Travel expenses	(68)	(205)
D) ICT expenses	**(48,192)**	**(43,845)**
Lease of ICT equipment and software	(3,121)	(3,131)
Software expenses: lease and maintenance	(12,278)	(11,220)
ICT communication systems	(7,310)	(8,273)
Consultancy and ICT services provided by third parties	(12,675)	(8,995)
Financial information providers	(12,808)	(12,226)
E) Consultancies and professional services	**(4,518)**	**(3,860)**
Consultancies and professional services on ordinary activities	(3,572)	(2,838)
Consultancies and professional services for one-off regulatory compliance projects	(40)	(67)
Consultancies and professional services for strategy, business development and organisational optimisation	(551)	(676)
Legal expenses	(124)	(116)
Legal disputes	(231)	(163)
F) Real estate expenses	**(4,672)**	**(4,390)**
Real estate services	-	(85)
Repair and maintenance of furniture, machinery, and equipment	(404)	(132)
Maintenance of premises	(921)	(524)
Premises rentals	(937)	(962)
Cleaning of premises	(320)	(854)
Utilities	(2,090)	(1,833)
G) Other functioning costs	**(28,660)**	**(35,761)**
Surveillance and security services	(280)	(199)
Postage and transport of documents	(3,452)	(3,316)
Administrative and logistic services	(17,141)	(16,372)
Insurance	(3,901)	(3,545)
Printing and stationery	(569)	(703)
Association dues and fees	(1,998)	(10,103)
Other administrative expenses	(1,319)	(1,523)
H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	**(40,039)**	**(26,805)**
Total	**(295,641)**	**(275,531)**

Item "H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)" shows the costs recorded in the year 2021 for the ordinary, additional and supplementary contribution paid to the Deposit Guarantee Schemes (DGS), in the total amount of €32,334 thousand (€25,901 thousand in the year 2020), the ordinary contribution paid to the Single Resolution Fund, amounting to €5,812 thousand (€687 thousand in the year 2020) and

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the additional contribution paid to the National Resolution Fund, amounting to €1,893 thousand (€217 thousand in the year 2020). 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 2021
Expenses relating to short-term leases ("Short term lease")	-
Expenses relating to leases of low-value assets ("Low value assets")	(7)
Expenses relating to variable lease payments not included in the measurement of lease liabilities	-
Total	**(7)**

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
	First and second stage	Third stage	First and second stage	Third stage	2021	2020
1. Commitments	(26)	-	48	-	22	(35)
2. Financial guarantees given	(18)	-	5	-	(13)	(4)
Total	**(44)**	**-**	**53**	**-**	**9**	**(39)**

11.2 Net provisions for risks and charges relating to other commitments and other guarantees given: breakdown

No data to report.

11.3 Net provisions to other provisions for risks and charges: breakdown

(Amounts in € thousand)

Items/Income items	Total 2021			Total 2020		
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
Legal and fiscal disputes	(5,118)	2,521	(2,597)	(5,167)	3,704	(1,463)
Supplementary customer indemnity provision	(6,462)	-	(6,462)	(5,858)	-	(5,858)
Other provisions for risks and charges	(877)	37	(840)	(1,017)	1,067	50
Total	**(12,457)**	**2,558**	**(9,899)**	**(12,042)**	**4,771**	**(7,271)**

The item "Provisions" also include changes due to the passing of time and changes in the discount rate.

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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) 2021 (a + b - c)	Net profit (loss) 2020 (a + b - c)
A. Property, plant and equipment	(19,314)	(9)	-	(19,323)	(19,489)
1 Owned	(19,206)	(9)	-	(19,215)	(19,381)
- Used in the business	(8,443)	(7)	-	(8,450)	(8,257)
- Held for investment	(10,763)	(2)	-	(10,765)	(11,124)
2 Held under finance lease	(108)	-	-	(108)	(108)
- Used in the business	(108)	-	-	(108)	(108)
- Held for investment	-	-	-	-	-
3 Inventories	X	-	-	-	-
B. Assets held for sale	X	-	-	-	-
Total	**(19,314)**	**(9)**	**-**	**(19,323)**	**(19,489)**

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 the 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) 2021 (a + b - c)	Net profit (loss) 2020 (a + b - c)
A. Intangible assets	(6,636)	-	-	(6,636)	(5,704)
of which: software	(6,488)	-	-	(6,488)	(5,509)
A.1 Owned	(6,636)	-	-	(6,636)	(5,704)
- Generated internally by the company	-	-	-	-	-
- Others	(6,636)	-	-	(6,636)	(5,704)
A.2 Right of use held under finance lease	-	-	-	-	-
B. Assets held for sale	X	-	-	-	-
Total	**(6,636)**	**-**	**-**	**(6,636)**	**(5,704)**

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.

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Section 14 – Other net operating income – Item 200

14.1 Other operating expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2021	Total 2020
Refunds and allowances	(1,688)	(255)
Penalties, fines and unfavourable rulings	(1,033)	(363)
Improvements and incremental expenses incurred on leasehold properties	(2,194)	(2,209)
Exceptional write-downs of assets	(30)	(60)
Other operating expenses	(171)	(295)
Total	**(5,116)**	**(3,182)**

14.2 Other operating income: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 2021	Total 2020
Recovery of expenses:	139,471	110,512
- recovery of ancillary expenses - other	43	69
- recovery of taxes	139,428	110,443
Rental income from properties	730	786
Other income from current year	1,304	2,331
Total	**141,505**	**113,629**

The amount of other operating income recognized in 2021 and included in the balance at the beginning of the year of liabilities arising from contracts with customers is equal to € 48 thousand (€ 80 thousand in 2020).

The item “Other income for the current year” includes public grants for the year amounting to € 83 thousand.

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.

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Section 15 – Profit (loss) of associates – Item 220

15.1 Profit (Loss) of associates: breakdown

(Amounts in € thousand)

Income/Value	Total 2021	Total 2020
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Writebacks	-	-
4. Other gains	-	-
B. Expenses	(26)	-
1. Write-down	(26)	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net profit	**(26)**	**-**

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.

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 2021	Total 2020
A. Properties	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	1	(6)
- Gains on disposal	1	1
- Losses on disposal	-	(7)
Net profit (loss)	**1**	**(6)**

The Bank has not carried out sales and leasing transactions for tangible assets.

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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 2021	Total 2020
1. Current tax (-)	(140,149)	(110,235)
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 (+/-)	13,113	(19,652)
5. Changes in deferred tax liabilities (+/-)	23,928	(84)
6. Tax expense for the year (-) (-1+/-2+3+ 3 bis +/-4+/-5)	(103,108)	(129,971)

19.2 Reconciliation of theoretical tax charge to actual tax charge

(Amounts in € thousand)

	Total 2021
Profit before tax	471,709

(Amounts in € thousand)

Items income/Amounts	Taxes		
	IRES Italian Tax	IRAP Italian Tax	Total 2021
Amount corresponding to theoretical tax rate	**(129,721)**	**(26,274)**	**(155,995)**
- Tax effects of charges not relevant to the calculation of taxable income	(2,515)	(2,648)	(5,163)
- Tax effects of income not relevant to the calculation of taxable income	55,381	5,340	60,721
- Tax effects deriving from the use of tax losses from previous years	-	-	-
- Tax effects deriving from the application of substitute taxes	(2,671)	-	(2,671)
Amount corresponding to actual tax rate	**(79,526)**	**(23,582)**	**(103,108)**

The "Tax effects of income not relevant to the calculation of the taxable income" included the effect deriving from the realignment of goodwill carried out on the basis of Article 110 of Legislative Decree 104/2020. The aforementioned provision resulted in the release to the income statement of pre-existing IRES deferred tax liabilities for €24,481 thousand and the recognition of IRES deferred tax assets for €8,495 thousand and IRAP for €1,721 thousand.

The income tax substitute tax of 3% of the realigned value was reported in the IRES column for €2,671 thousand, but the payment of this tax resulted in the realignment of goodwill also for IRAP purposes.

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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 Deloitte & Touche S.p.A. and entities within the network that the external auditors belongs to.

(Amounts in €)

Type of service	Service provider	Fees
Accounting Audit	Deloitte & Touche S.p.A.	210,923
Certification services	Deloitte & Touche S.p.A.	258,000
Other Services	Deloitte & Touche S.p.A.	10,000
Total		**478,923**

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 22 February 2019 and also kept the indications provided by the in-depth document issued by Assonime on May 6, 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 2021 FinecoBank did not receive public contributions from Italian entities.

For more information, please refer to the National State Aid Register "Transparency" section.

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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.

	2021	2020
Net profit for the year (€ thousands)	368,601	323,123
Average number of outstanding shares	609,692,634	608,966,126
Average number of outstanding shares (including potential ordinary shares with dilution effect)	611,147,018	610,216,041
Basic earnings per share	0.605	0.531
Diluted Earnings Per Share	0.603	0.530

22.2 Other information

No data to report.

Part D – Comprehensive income

Analytical Statement of comprehensive income

(Amounts € thousand)

Items		Total 2021	Total 2020
10.	**Net Profit (Loss) for the year**	**368,601**	**323,123**
	Other comprehensive income after tax without reclassification through profit or loss	**(1,076)**	**(3,054)**
20.	Equity instruments designated at fair value through other comprehensive income:	-	-
	a) fair value changes	-	-
	b) transfer to other items of shareholders' equity	-	-
30.	Financial liabilities designated at fair value through profit or loss (own creditworthiness changes):	-	-
	a) fair value changes	-	-
	b) transfer to other items of shareholders' equity	-	-
40.	Hedge accounting of equity instruments designated at fair value through other comprehensive income:	-	-
	a) fair value changes (hedge item)	-	-
	b) fair value changes (hedge instrument)	-	-
50.	Property, plant and equipment	-	-
60.	Intangible assets	-	-
70.	Defined benefit plans	(1,730)	(4,523)
80.	Non-current assets classified as held for sale	-	-
90.	Revaluation reserve from investments accounted for using the equity method	-	-
100.	Tax for the year related to other comprehensive income without reclassification through profit or loss	654	1,469
	Other comprehensive income after tax with reclassification through profit or loss	**(1,968)**	**(781)**
110.	Hedges of foreign investments:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
120.	Exchange differences:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
130.	Cash flow hedges:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
	of which: result of net positions	-	-
140.	Hedging instruments (non-designated items):	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
150.	Financial assets (different from equity instruments) at fair value through other comprehensive income:	(2,941)	(1,166)
	a) fair value changes	(419)	1,884
	b) reclassification through profit or loss	(2,522)	(3,050)
	- adjustments for credit risk	(8)	-
	- gains/losses on disposals	(2,514)	(3,050)
	c) other changes	-	-
160.	Non-current assets classified as held for sale:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	c) other changes	-	-
170.	Revaluation reserve from investments accounted for using the equity method:	-	-
	a) fair value changes	-	-
	b) reclassification through profit or loss	-	-
	- due to impairment	-	-
	- gains/losses on disposals	-	-
	c) other changes	-	-
180.	Tax for the year related to other comprehensive income with reclassification through profit or loss	973	385
190.	**Total other comprehensive income**	**(3,044)**	**(3,835)**
200.	**Comprehensive income (item 10+190)**	**365,557**	**319,288**

Part E - Information on Risks and relating hedging policies

Introduction

With reference to the organizational structure, the Risk Appetite and the ICAAP and ILAAP processes of FinecoBank S.p.A. please refer to Part E - Information on risks and related hedging policies of the consolidated notes.

Section 1 – Credit Risk

Qualitative information

1. General Matters

The Bank'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 Bank, moreover, has continued to improve already existing by issuing regular credit cards to current account holders and granting personal loans. The latter can also be assessed using the "Instant approval" mode, a service allowing credit applications to be assessed in a few moments and to provide the loan in real time to eligible customers.

Choices concerning the investment of the Bank's liquidity are governed by a prudential approach aimed at containing credit risk. Such approach mainly involve the subscription of Eurozone government bonds to diversify the exposure in bond instruments issued by UniCredit S.p.A. which will be hold until their maturity. In order to optimize its portfolio by diversifying counterparty risk, during 2021 the Bank has also increased its exposure to Italian government bonds (for more details, see the Information on Sovereign Exposures).

Impacts arising from COVID-19 pandemic

As at December 31, 2021, there are no sign of deterioration in the Bank's loans receivable with ordinary customers portfolio. This one indeed is composed by retail loans granted with conservative and careful origination policies, and mostly assisted by real estate or financial collateral. In the case of mortgage loans, the average Loan to Value is indeed equal to 51%, whereas relevant overdraft facilities require the funding of financial collateral, using conservative margins.

In response to COVID-19 pandemic and the adoption of supporting measures by EU member states, the main international and European regulators and standard setter (IASB, EBA, ECB, European Commission, etc.) provided guidance on the prudential treatment of credit exposure. According to such guidance, the application of supporting measures in the form of legislative and non-legislative moratoria, complying with a set of requirements established by EBA, did not automatically triggered the forbearance prudential classification until March 2021, as they had preventive nature and generic scope (they were not specifically designed for each client). The supporting measures granted after March 2021 have been evaluated and classified accordingly to the current prudential framework.

During 2021, FinecoBank has adopted a prudential approach and has considered the evidences related to financial situation of clients applied for supporting measures, increased the provision related to these exposures.

For the asset quality quantitative disclosure on moratorias accorded by FinecoBank to its clients, reference is made to the reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis, required by EBA/GL/2020/07. Such disclosure is sent to Regulators on a regular basis, and it has been integrated in Pillar III disclosure as at December 31, 2021.

In consideration of the limited impacts described above, the Bank did not deem it necessary to change either its credit strategies or its credit risk management, measurement and control policy.

Part E - Information on Risks and relating hedging policies

2. Credit Risk Management Policy
2.1 Organisational aspects
In order to ensure an adequate supervision of credit risk, FinecoBank has adopted an effective internal governance framework, organized on distinct and articulated levels of responsibility.

At the first level, the credit process relating to receivables with ordinary customers 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 to 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 Chief Risk Officer. Within the CRO Department, the Credit Risk & Internal Capital Team is responsible for:

- Monitoring trade receivables through second-level controls, focusing more generally on the overall quality of the Bank's loan portfolio, promptly detecting any irregularities;
- supporting the CLO Department in the development and maintenance of the scoring models used by the Bank to assess the creditworthiness of its retail customers;
- verifying, through second-level controls, the correct execution of the performance monitoring on individual exposures, assessing the consistency of prudential classifications and the adequacy of provisions;
- monitoring, through second-level controls, the degree of concentration towards individual issuers of securities funded as collateral, and real estate guarantees in areas with high climatic and environmental risk;
- analyzing the risk level of individual products, periodically verifying the consistency of the retail customers default rates calculated by the CLO Department;
- defining a reporting model for the Group by specifying the rules for identifying stocks and flows;
- defining the credit parameters (PD and LGD) useful for defining product pricing, as part of the launch of a new credit product;
- developing and maintaining expected credit losses methodologies in accordance with the IFRS9 accounting standard, and carry out data quality checks on provisions;
- develop and maintain Credit Risk Internal Capital models and apply the related stress scenarios;
- monitor credit risk and country risk deriving from the Group's strategic investments, taking into adequate consideration counterparties exposure to environmental, social and governance (ESG) risks, and their ability to deal with them;
- systematically 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 Bank 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 Bank 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 Bank 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 Bank'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 Bank 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 Bank’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 receivables with ordinary customers 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 Bank. 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 receivables with ordinary customers. 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 Bank 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 Bank'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 Bank 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 Bank's strategic investments, the second one provides an indication of the composition of the Bank's strategic investments. According to the guidelines of the Board of Directors, the Group defines specific risk limits (plafond) for each FIBS counterparty ("Financial Institutions, Banks and Sovereigns") with which the Bank will have a credit exposure, always in compliance with the large exposure regulatory limits, where applicable.

In March 2021, FinecoBank has updated the 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 FinecoBank 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 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 receivables with ordinary customers 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 Bank as credit protection for overdraft facilities. With reference to exposures to financial counterparties, banks and sovereign, the report highlights the results of issuer risk, counterparty risk and country risk monitoring. With reference to the latter, in 2021 some new indicators (Worldwide Governance Indicator), developed by a team of researchers in collaboration with the World Bank were introduced with the aim of summarizing the effectiveness of the policies implemented by the governmental authorities of different nations. To complement the latter, a specific environmental risk indicator, called ND-Gain, developed by a team of researchers from the US University of Notre Dame was also introduced. 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.

Impacts arising from COVID-19 pandemic

Following the EBA's failure to renew its guidelines on payment moratoria, all payment holidays activated between 1 April 2021 and 31 December 2021 were classified on a case-by-case basis, according to the prudential framework currently in force. In any case, all active moratoriums are subject to a careful assessment in order to promptly identify any signs of credit deterioration. Such assessment, which is carried out also through early warning indicators and the support of external databases (Central Credit Register, CRIF, etc.), has not highlighted any critical elements at portfolio level so far.

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 Bank has developed specific expected loss models. Such models draw on the PD, LGD and EAD estimated in conservatively manner, to which specific adjustments have been made in order to ensure full cohesion with the accounting standard. In this regard, forward-looking information has also been included with the elaboration of specific scenarios.

The expected loss is calculated for institutional counterparties, leveraging on 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, the Holding risk management function make use of a proxy. This one consist of splitting up clients by product type and record any transition to non-performing through a transition matrix, then calculate an average decay rate that will work as PD. The approach described is based on the assumption that, when there are no changes in individual counterparties creditworthiness criteria, the past registered credit quality will be consistent with the future credit quality. However, in order comply with IFRS 9 requirements, parameters resulting from this proxy shall be corrected using forward looking information.

A key aspect of the new accounting model required to calculate expected credit losses is the Stage Allocation model, whose purpose is to transfer exposures between Stage 1 and Stage 2 (as Stage 3 is equivalent to that of impaired exposures), where Stage 1 mainly includes newly originated exposures and those which have not suffered a significant increase in credit risk compared to the initial recognition.

The Stage Allocation assessment model always apply at transaction level, and it is based on a combination of relative and absolute elements: The main elements are:

- the comparison between the counterparty's rating at the reference date and that recorded at the date of origination / first recognition. The methodology provides that the position goes to stage 2 when a certain threshold is exceeded, set in terms of notches from the rating detected at the date of first recognition);
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);

- other internal findings (forborne classification).

With reference to the institutional counterparties with which the Bank carries out credit business, starting from January 2021 the FinecoBank has replaced the approach based on the comparison between the PD resulting from the internal UniCredit models at origination and the one recorded at reporting date with a new approach. This one is based on the comparison between the rating at the reference date and the one recorded at first recognition described above. The method, which makes use of the external rating assigned by the Moody's agency, is also applied to financial instruments purchased by the Bank for investments purposes, in order to replace the previous approach based on the low risk exemption. The latter approach, expressly envisaged by the accounting standard, allows for an exemption to the transition to stage 2 for securities that at the reporting date are low risk (investment grade) and provides for the allocation in stage 2 for all financial instruments classified as non-investment grade at the reference date, regardless of the riskiness of the instrument at the purchase date.

With reference to retail counterparties, in the absence of internal ratings, the Bank 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 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 calculates 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.

Part E - Information on Risks and relating hedging policies

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 accounts as at December 31, 2021.

Forward-looking information used in calculating write-downs

The expected credit loss deriving from the parameters described in the forgoing paragraph considers macroeconomic forecasts through the application of multiple scenarios to the forward looking components.

Specifically, the forward looking component is determined by three macroeconomic scenarios, a basic scenario ("Baseline"), a positive scenario and an adverse scenario. The basic scenario is the main reference one, as it is the one considered most likely; the positive and adverse scenarios stand for alternative events, respectively better and worse.

Changes applied for COVID-19 pandemic

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 forward-looking information updated to the crisis caused by the COVID-19 pandemic, the FinecoBank Group uses a series of macroeconomic scenarios developed by the external supplier Moody's Analytics. As expressly recommended by the European Central Bank, these scenarios use a series of macroeconomic variables consistent with the macroeconomic forecasts released by the latter. For further details, please refer to the appropriate paragraph "Measurement of expected credit losses".

Assessment of the Significant Increase in Credit Risk (SICR)

Consistently with the clarification provided by regulators, until March 31, 2021, the exposure subject to payment moratoria compliant with EBA requirements have been kept as stage 1 of the staging allocation process, except in case other factors had determined a significant increase in credit risk. As a way of example, it is worth mentioning the detection of a past due longer than 30 days on credit facilities other than those suspended, or the finding of negative credit worthiness information arising from external data sources.

Following the EBA's failure to renew its guidelines on legislative and non-legislative moratoriums, all the moratoriums granted from 1 April 2021 to 31 December 2021, have been assessed and classified on a case-by-case scenario, according to the usual prudential and accounting framework. To that end, it has been considered crucial the assessment over the debtor’s economic difficulty, which has been determined in relation to its income/asset situation.

Measurement of Expected Credit Losses

As at December 31, 2021, for the calculation of Expected Credit losses on performing exposures, the Bank has used risk parameters (PD and LGD) adjusted with macroeconomic scenarios provided by the new external supplier Moody’s Analytics. Such scenarios are consistent with ECB macroeconomic forecasts and incorporate forward-looking information taking into account the pandemic crisis.

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 consistent with ECB macroeconomic forecasts, and the one more likely to come true, whereas the positive and adverse scenario are weighted 30% each, and they stand for alternative outcomes, respectively better and worse.

The baseline scenario used for the ECL calculation as of December 31, 2021, consider a substantial recovery of economic activities throughout the euro area, with an estimated growth of the EU Gross Domestic Product (GDP) of 4.71%. The high growth rate is due both to the dynamics that occurred during the year, including the massive vaccination of the population and the containment of the virus to levels that allow an almost normal course of economic activity, and to the deep economic recession recorded in 2020 (-6.55%).

In Italy, a country where the Bank holds almost all exposures to retail customers, growth forecasts for 2021 of the Gross Domestic Product are estimated at 5.91%; with the positive trend of the vaccination campaign, the lower political uncertainty and the recovery funds made available by the

Part E - Information on Risks and relating hedging policies

European Union, it is estimated that the Italian Gross Domestic Product will return to pre-pandemic levels by mid-2022. Despite the positive outlook, the combination of higher public spending and reduced tax revenue is expected to increase in the debt / GDP ratio at around 153.06%, threatening the long-term sustainability of public finances. The unemployment rate is also expected to rise at 10.14% in 2021, and then gradually returning to pre-crisis values.

Other macroeconomic parameters, such as the 10 years government yields, are also considered in macroeconomic scenarios, depending on the credit facility and the type of counterparty involved.

The favorable scenario used for the calculation of the ECL at 31 December 2021 assumes an easing of the crisis caused by the COVID-19 pandemic thanks to the implementation of safety protocols and a greater share of the vaccinated population. In Italy, the recovery of economic activity, faster than expected, translates into a forecast of growth of the Gross Domestic Product of 6.44% in 2021, to then decrease to 5.58% in 2022. The Debt / GDP ratio expected for the end of 2021 is equal to 152.10%. Finally, the unemployment rate is estimated to rise to 10.11%, and then gradually returns to pre-crisis values.

The adverse scenario used to calculate the ECL at 31 December 2021, on the other hand, assumes an aggravation of the crisis caused by the spread of new variants of the virus resistant to vaccines, with further restrictions on movement, closures of commercial activities and cuts in consumption by the population. The forecasts in this scenario translate into still high levels of growth in 2021, equal to 5.51%, with a sharp turnaround in 2022 (-0.63%) which determines an increase in the debt / GDP ratio to 162, 29% (153.91% in 2021). Finally, the Italian unemployment rate is estimated to increase slightly in 2021 to 10.30%, and then continue to grow to 12.37% in 2023.

As of December 31, 2021, assuming to apply only the positive scenario on the overall Bank's exposures we would record recoveries for around € 1.8 million, whereas assuming to apply only the adverse scenario, the estimated provisions would be equal to € 6.5 million. Considering all scenarios mentioned above the Group's estimated provisions are equal to € 0.6 million.

As far as provisions on FinecoBank's retail customers are involved, no relevant impacts have been detected so far, in terms of both origination flows and credit quality.

Part E - Information on Risks and relating hedging policies

2.4 Credit risk mitigation techniques

In order to mitigate the risk in the different forms of credit granting, FinecoBank acquires several types of collateral. For mortgage loans, the Bank 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 Bank 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, FinecoBank 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 31 December 2021, the average LTV of the mortgage portfolio was approximately 50%.

The real estate evaluation is carried out by external technicians included in the Register of Engineers, Architects, Surveyors or industrial experts and is therefore not subject to conflicts of interest. The value of the real estate properties is monitored on an annual basis through market revaluation indices, estimated by an external supplier specialized in real estate market valuations. This activity is aimed at identifying any properties that need revaluation and may also be carried out more frequently if market conditions are subject to significant changes.

For financial collateral, on the other hand, the principles and rules are described in the "Collateral Management" policy. The evaluation of securities takes place by taking into consideration several parameters, including the issue rating, the liquidity class, the capitalization and the inclusion in a recognized index. Such parameters, depending on the type of instrument being valued, may affect not only the eligibility of the instrument itself, but also the margin considered in order to determine the amount of the loan.

The monitoring of the financial collateral value is carried out on a daily basis by automatic procedures that perform the Mark to Market of each individual security booked in the collateral deposits, and compare the resulting value with the amount entrusted during the origination phase. In the event of losses exceeding the threshold value, the resolution methods are assessed on a case-by-case basis in agreement with the customer.

Part E - Information on Risks and relating hedging policies

3. Impaired credit exposures
3.1 Management strategies and policies
Loans prudential classification as past due, unlikely to pay or bad exposure is carried out consistently with the criteria set forth by the Bank of Italy. The classification as bad exposure, linked to the customer's insolvency, shall always be individually assessed and defined according to the outcome recovery actions. Loss provisioning estimate shall also be individual for positions classified as past due and unlikely to pay.

As far as overdraft are concerned, the classification criterion is related to the outcome of recovery actions or the forced sale of securities to cover debts.

Reclassification of exposures to a better risk category shall only be authorised if the overdue amount has been paid in full, consistently with the original payment schedule. Alternatively, the exposure may be classified to a better risk category where considerable payments have been made, leading to believe that the debt exposure is very likely to be repaid.

Handling procedure for overdue performing loans involves specific credit recovery actions, according to the amount of overdue days.

3.2 Write-off
The Bank records a write-off by reducing the gross exposure of a financial asset whenever there are no reasonable expectations of recovering all or part of that asset.

As a result, the Bank shall recognise a write-off in the following cases:

- there is no longer any reasonable expectation of recovering all or part of the asset despite the presence of the legal rights to recover the accrued capital and interest;
- waiver of the legal right to recover the principal and any accrued interest;
- termination of the legal right to recover capital and interest due to the conclusion of the recovery attempts.

3.3 Purchased or originated impaired financial assets
The Group’s current business model and company policies approved by the Board of Directors do not expect any purchase of impaired loans or origination of new credit facilities in any form (personal loans, mortgages, current account credit facilities, etc.) to already non-performing customers.

4. Commercial renegotiations and forbearance measures
Renegotiations of financial instruments determining a change in the contractual terms are recognized, as described above, according to the materiality of variations in the contractual terms. The evaluation of the materiality of changes shall be carried out considering both qualitative and quantitative terms, in particular whenever liabilities are concerned. For more details reference is made to the paragraph “Renegotiations” on part A – Accounting policies of the Notes to the accounts.

As of December 31, 2021, no relevant increase in forbearance measures have been detected. As already highlighted in the section “Impact arising from COVID-19 pandemic”, reported in the general aspects of credit risks, most of the supporting measures granted during the pandemic crisis comply with the EBA guidelines on legislative and non-legislative moratoria, therefore did no triggered the forborne classification.

The supporting measures granted to the clients after March 2021 have been evaluated and classified accordingly to the current prudential framework.

Part E - Information on Risks and relating hedging policies

Quantitative information

A. Credit quality

As provided for in the 7th update of 29 October 2021 of Circular No. 262 "The banks' financial statements: layouts and preparations", on-demand loans to banks and central banks, recognised in the balance sheet item "Cash and cash balances", are included in the definition of cash credit exposures but are conventionally excluded from the tables on quantitative credit quality disclosures in Section 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.

With the above update, a breakdown by level of credit risk and by "impaired acquired or originated" was also required of the information on:

- "Distribution of financial assets by maturity bands (balance sheet values)" - Table A.1.3;
- “Financial assets, commitments to disburse funds and financial guarantees issued: changes in total value adjustments and total provisions” - Table A.1.4;
- “Cash and off-balance sheet credit exposures to banks: gross and net values” and “Cash and off-balance sheet credit exposures to customers: gross and net values" - Table A.1.6 and Table A.1.7;
- “Classification of financial assets, commitments to disburse funds and financial guarantees issued according to external and internal ratings'.

A.1 Impaired and unimpaired credit exposures: 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 not impaired exposures	Total
1. Financial assets at amortised cost		2,141	1,179	1,061	22,303	30,841,447	30,868,131
2. Financial assets at fair value through other comprehensive income		-	-	-	-	39,012	39,012
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily at fair value		-	-	-	-	74	74
5. Financial instruments classified as held for sale		-	-	-	-	-	-
Total	**12/31/2021**	**2,141**	**1,179**	**1,061**	**22,303**	**30,880,533**	**30,907,217**
Total	**12/31/2020**	**2,025**	**1,065**	**441**	**16,089**	**28,941,110**	**28,960,730**

It should be noted that the comparative information as at 31 December 2020 has been restated following the entry into force of the 7th update of Circular No. 262 "Banks' financial statements: layouts and presentations " mentioned above. In particular, in the 2020 Financial Statements, "Financial assets at amortised cost - Other not-impaired exposures" included on-demand loans to banks, now recognised under the balance sheet item "Cash and cash balances", in the amount of €246,000 thousand.

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	Overall partial write-off*	Gross exposure	Total impairment provision	Net exposure	
1. Financial assets at amortized cost	24,541	(20,160)	4,381	-	30,882,097	(18,347)	30,863,750	30,868,131
2. Financial assets at fair value through other comprehensive income	-	-	-	-	39,018	(6)	39,012	39,012
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	74	74
5. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-
Total 12/31/2021	**24,541**	**(20,160)**	**4,381**	**-**	**30,921,115**	**(18,353)**	**30,902,836**	**30,907,217**
Total 12/31/2020	**25,489**	**(21,958)**	**3,531**	**-**	**28,977,230**	**(20,081)**	**28,957,199**	**28,960,730**

It should be noted that the comparative information as at 31 December 2020 has been restated following the entry into force of the 7th update of Circular No. 262 "Banks' financial statements: layouts and presentations " mentioned above. In particular, in the 2020 Financial Statements, "Financial Unimpaired" included on-demand loans to banks, now recognised in the balance sheet item "Cash and cash balances", for a gross exposure of €246,015 thousand, total adjustments of €15 thousand and net exposure of €246,000 thousand.

(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	5,436
2. Hedging derivatives	-	-	127,448
Total 12/31/2021	**-**	**7**	**132,884**
Total 12/31/2020	**-**	**3**	**26,055**

Part E - Information on Risks and relating hedging policies

A.1.3 Distribution of financial assets by maturity (balance sheet values)

(Amounts in € thousand)

Portfolios / stages of risk		First step			Second step			Third step			Purchased or originated 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 valued at amortized cost		17,956	2,536	77	24	1,508	190	16	5	4,040	-	-	-
2. Financial assets valued at fair value with impact on overall profitability		-	-	-	-	-	-	-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-	-	-	-	-	-	-
Total	**12/31/2021**	**17,956**	**2,536**	**77**	**24**	**1,508**	**190**	**16**	**5**	**4,040**	**-**	**-**	**-**
Total	**12/31/2020**	**12,991**	**409**	**36**	**10**	**1,340**	**1,304**	**33**	**22**	**3,099**	**-**	**-**	**-**

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																	
	First stage activities						Second stage activities						Activities included in the third stage					
	Credit to banks and Central Banks on demands	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Credit to banks and Central Banks on demands	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	Credit to banks and Central Banks on demands	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns
Total opening adjustments	**(77)**	**(16,306)**	**(17)**	**-**	**-**	**(16,400)**	**-**	**(3,759)**	**-**	**-**	**-**	**(3,759)**	**-**	**(21,959)**	**-**	**-**	**(18,752)**	**(3,207)**
Changes in increase from financial assets acquired or originated	(6)	(4,400)	-	-	-	(4,406)	-	(475)	-	-	-	(475)	-	(1,111)	-	-	(388)	(723)
Cancellations other than write-offs	-	1,823	9	-	-	1,832	-	407	-	-	-	407	-	794	-	-	309	485
Net value adjustments / write-backs for credit risk (+/-)	49	4,405	2	-	-	4,456	-	(52)	-	-	-	(52)	-	(1,376)	-	-	(406)	(970)
Contractual changes without cancellations	-	1	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs non recorded directly in the income statement	-	4	-	-	-	3	-	5	-	-	-	5	-	3,491	-	-	3,464	27
Other variations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(970)	970
Total closing adjustments	**(34)**	**(14,473)**	**(6)**	**-**	**-**	**(14,514)**	**-**	**(3,874)**	**-**	**-**	**-**	**(3,874)**	**-**	**(20,161)**	**-**	**-**	**(16,743)**	**(3,418)**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	26	-	-	26	-
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	(20)	-	-	-	(20)	-	(82)	-	-	(82)	-

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

(continued)

(Amounts in € thousand)

Causal / risk stages	Total value adjustments					Accantonamenti complessivi su impegni a erogare fondi e garanzie finanziarie rilasciate				
	Purchased or originated impaired financial assets									
	Financial assets measured at amortized cost	Financial assets measured at fair value with an impact on total profitability	Financial assets held for sale	of which: individual writedowns	of which: collective writedowns	First stage	Second stage	Third stage	Commitments to provide funds and financial guarantees issued impaired acquired or originated	Tot.
Total opening adjustments	**-**	**-**	**-**	**-**	**-**	**(61)**	**-**	**-**	**-**	**(42,179)**
Changes in increase from financial assets acquired or originated	X	X	X	X	X	(38)	-	-	-	**(6,030)**
Cancellations other than write-offs	-	-	-	-	-	51	-	-	-	**3,084**
Net value adjustments / write-backs for credit risk	-	-	-	-	-	(4)	-	-	-	**3,024**
Contractual changes without cancellations	-	-	-	-	-	-	-	-	-	**1**
Changes in the estimation methodology	-	-	-	-	-	-	-	-	-	**-**
Write-offs non recorded directly in the income statement	-	-	-	-	-	-	-	-	-	**3,500**
Other variations	-	-	-	-	-	-	-	-	-	**-**
Total closing adjustments	**-**	**-**	**-**	**-**	**-**	**(52)**	**-**	**-**	**-**	**(38,600)**
Recoveries from financial assets subject to write-off	-	-	-	-	-	-	-	-	-	**-**
Write-offs recorded directly in the income statement	-	-	-	-	-	-	-	-	-	**-**

A.1.5 Financial assets, commitments and financial guarantees: transfers between the different stages (gross amount and nominal)

(Amounts in € thousand)

Portfolios/stages		Gross carrying amount/nominal amount					
		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		2,778	1,122	1,018	111	3,509	306
2. Financial assets at fair value through other comprehensive income		-	-	-	-	-	-
3. Financial assets held for sale		-	-	-	-	-	-
4. Commitments and financial guarantees given		3	-	1	1	8	-
Total	**12/31/2021**	**2,781**	**1,122**	**1,019**	**112**	**3,517**	**306**
Total	**12/31/2020**	**4,262**	**286**	**725**	**46**	**3,663**	**310**

Part E - Information on Risks and relating hedging policies

A.1.5a Loans and advances subject to measures applied in response to the COVID-19: transfers between different stages of credit risk (gross values)

(Amounts in € thousand)

Portfolio/quality	Gross values / Nominal value					
	Transfers between first stage and second stage		Transfers between second stage to third stage		Transfer between first stage and third stage	
	From first to second stage	From second stage to first stage	From second to third stage	From third to second stage	From first to third stage	From third to first stage
A. Loans and advances measured at amortized cost	**325**	**-**	**-**	**-**	**-**	**-**
A.1 subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-
A.2. loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-
A.3 subject to COVID-19-related forbearance measures	325	-	-	-	-	-
A.4 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-
B. Loans and advances valued at fair value with an impact on overall profitability	**-**	**-**	**-**	**-**	**-**	**-**
B.1 subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-
B.2. loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-
B.3 subject to COVID-19-related forbearance measures	-	-	-	-	-	-
B.4 newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-
Total 12/31/2021	**325**	**-**	**-**	**-**	**-**	**-**
Total 12/31/2020	**1,236**	**-**	**-**	**-**	**38**	**-**

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*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDITS EXPOSURES												
A.1 ON DEMAND	**1,442,489**	**1,442,489**	**-**	**-**	**-**	**(33)**	**(33)**	**-**	**-**	**-**	**1,442,456**	**-**
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	1,442,489	1,442,489	-	X	-	(33)	(33)	-	X	-	1,442,456	-
A.2 OTHERS	**5,747,583**	**5,747,583**	**-**	**-**	**-**	**(72)**	**(72)**	**-**	**-**	**-**	**5,747,511**	**-**
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	5,747,583	5,747,583	-	X	-	(72)	(72)	-	X	-	5,747,511	-
- of which: forborne exposures	-	-	-	X	-	-	-	-	X	-	-	-
TOTAL (A)	**7,190,072**	**7,190,072**	**-**	**-**	**-**	**(105)**	**(105)**	**-**	**-**	**-**	**7,189,967**	**-**
B. OFF-BALANCE SHEET CREDITS EXPOSURES						-	-	-	-	-		
a) Non performing	-	X	-	-	-	-	X	-	-	-	-	-
b) Performing	558,323	17,170	-	X	-	-	-	-	X	-	558,323	-
TOTAL (B)	**558,323**	**17,170**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**558,323**	**-**
TOTAL (A+B)	**7,748,395**	**7,207,242**	**-**	**-**	**-**	**(105)**	**(105)**	**-**	**-**	**-**	**7,748,290**	**-**

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 € 413,629 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*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. ON-BALANCE SHEET CREDITS EXPOSURES												
a) Bad exposures	**18,939**	**X**	**-**	**18,939**	**-**	**(16,798)**	**X**	**-**	**(16,798)**	**-**	**2,141**	**-**
- of which: forborne exposures	285	X	-	285	-	(250)	X	-	(250)	-	35	-
b) Unlikely to pay	**3,478**	**X**	**-**	**3,478**	**-**	**(2,299)**	**X**	**-**	**(2,299)**	**-**	**1,179**	**-**
- of which: forborne exposures	347	X	-	347	-	(250)	X	-	(249)	-	97	-
c) Non performing past due	**2,124**	**X**	**-**	**2,124**	**-**	**(1,063)**	**X**	**-**	**(1,063)**	**-**	**1,061**	**-**
- of which: forborne exposures	118	X	-	118	-	(34)	X	-	(34)	-	84	-
d) Performing past due exposures	**22,597**	**20,705**	**1,891**	**X**	**-**	**(294)**	**(124)**	**(169)**	**X**	**-**	**22,303**	**-**
- of which: forborne exposures	114	-	114	X	-	(2)	-	(2)	X	-	112	-
e) Other performing exposures	**25,151,011**	**25,137,191**	**13,749**	**X**	**-**	**(17,988)**	**(14,283)**	**(3,704)**	**X**	**-**	**25,133,023**	**-**
- of which: forborne exposures	1,877	-	1,877	X	-	(35)	-	(35)	X	-	1,842	-
TOTAL (A)	**25,198,149**	**25,157,896**	**15,640**	**24,541**	**-**	**(38,442)**	**(14,407)**	**(3,873)**	**(20,160)**	**-**	**25,159,707**	**-**
B. OFF-BALANCE SHEET CREDITS EXPOSURES												
a) Non performing	97	X	-	12	-	-	X	-	-	-	97	-
b) Performing	2,852,209	28,154	420	X	-	(51)	(51)	-	X	-	2,852,158	-
TOTAL (B)	**2,852,306**	**28,154**	**420**	**12**	**-**	**(51)**	**(51)**	**-**	**-**	**-**	**2,852,255**	**-**
TOTAL (A+B)	**28,050,455**	**25,186,050**	**16,060**	**24,553**	**-**	**(38,493)**	**(14,458)**	**(3,873)**	**(20,160)**	**-**	**28,011,962**	**-**

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 € 998,380 thousand.

Part E - Information on Risks and relating hedging policies

A.1.7a On-balance credit exposures to customers subject to measures applied in response to the COVID-19: gross and net values

(Amounts in € thousand)

Exposure types / amounts	Gross exposure					Total value adjustments and total provisions					Net exposure	Write-off partial total*
		First stage	Second stage	Third stage	Purchased or originated impaired		First stage	Second stage	Third stage	Purchased or originated impaired		
A. BAD CREDIT EXPOSURES	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
B. UNLIKELY TO PAY CREDIT LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
C. NON-PERFORMING PAST DUE CREDIT LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
D. OTHER PERFORMING PAST DUE LOANS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	-	-	-	-	-	-	-	-	-	-	-	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	-	-	-	-	-	-	-	-	-	-	-	-
c) Subject to COVID-19-related forbearance measures	-	-	-	-	-	-	-	-	-	-	-	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
E. OTHER PERFORMING LOANS	**1,004**	**231**	**773**	**-**	**-**	**(13)**	**(2)**	**(11)**	**-**	**-**	**(991)**	**-**
a) Subject to EBA-compliant moratoria (legislative and non-legislative)	124	124	-	-	-	(1)	(1)	-	-	-	(123)	-
b) Loans subject to moratorium measures in place no longer compliant with GL and not assessed as being granted	107	107	-	-	-	(1)	(1)	-	-	-	(106)	-
c) Subject to COVID-19-related forbearance measures	773	-	773	-	-	(11)	-	(11)	-	-	(762)	-
d) Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL (A+B+C+D+E)	**1,004**	**231**	**773**	**-**	**-**	**(13)**	**(2)**	**(11)**	**-**	**-**	**(991)**	**-**

Part E - Information on Risks and relating hedging policies

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)	**20,843**	**3,427**	**1,219**
- of which: sold non-cancelled exposures	-	-	-
B. Increases	**2,319**	**2,310**	**2,395**
B.1 transfers from performing loans	893	1,674	2,095
B.2 entry from impaired financial assets acquired or originated	-	-	-
B.3 transfers from other impaired exposures	1,382	141	-
B.4 contractual changes without cancellations	-	-	-
B.5 other increases	44	495	300
C. Decreases	**(4,223)**	**(2,259)**	**(1,490)**
C.1 transfers to performing loans	-	(169)	(210)
C.2 write-offs	(3,534)	(5)	(35)
C.3 recoveries	(679)	(910)	(623)
C.4 sales proceeds	-	-	-
C.5 losses on disposals	-	-	-
C.6 transfers to other impaired exposures	-	(1,036)	(488)
C.7 contractual changes without cancellations	-	-	-
C.8 other decreases	(10)	(139)	(134)
D. Closing balance (gross amounts)	**18,939**	**3,478**	**2,124**
- of which: sold but not derecognised	-	-	-

Part E - Information on Risks and relating hedging policies

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)	**744**	**1,074**
- Sold but not derecognised	-	-
B. Increases	**331**	**1,243**
B.1 Transfers from performing not forborne exposures	-	1,162
B.2. Transfers from performing forborne exposures	29	X
B.3. Transfers from impaired forborne exposures	X	7
B.4 Transfers from impaired not forborne exposure	-	-
B.4 other increases	302	74
C. Decreases	**(325)**	**(326)**
C.1 Transfers to performing not forborne exposures	X	(142)
C.2 Transfers to performing forborne exposures	(7)	X
C.3 transfers to impaired exposures not forborne	X	(29)
C.4 write-offs	(17)	-
C.5 recoveries	(237)	(152)
C.6 sales proceeds	-	-
C.7 losses on disposals	-	-
C.8 other decreases	(64)	(3)
D. Closing balance (gross amounts)	**750**	**1,991**
- Sold but not derecognised	-	-

A.1.10 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.1.11 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	**(18,818)**	**(244)**	**(2,362)**	**(297)**	**(778)**	**(8)**
- Sold but not derecognised	-	-	-	-	-	-
B. Increases	**(2,190)**	**(55)**	**(1,445)**	**(111)**	**(1,048)**	**(53)**
B.1 impairment losses on acquired or originated assets	-	X	-	X	-	X
B. 2 other value adjustments	(1,194)	(13)	(1,327)	(72)	(1,025)	(30)
B.3 losses on disposal	-	-	-	-	-	-
B.4 transfer from other impaired exposure	(970)	(42)	(93)	(14)	-	-
B. 5 contractual changes without cancellations	-	-	-	-	-	-
B.6 other increases	(26)	-	(25)	(25)	(23)	(23)
C. Reductions	**4,210**	**49**	**1,508**	**158**	**763**	**27**
C.1 write-backs from assessments	196	11	214	48	151	5
C.2 write-backs from recoveries	480	21	494	73	262	3
C.3 gains on disposal	-	-	-	-	-	-
C.4 write-offs	3,534	17	5	-	35	-
C.5 transfers to other impaired exposures	-	-	770	37	293	19
C. 6 contractual changes without cancellations	-	-	-	-	-	-
C.7 other decreases	-	-	25	-	22	-
D. Closing overall amount of writedowns	**(16,798)**	**(250)**	**(2,299)**	**(250)**	**(1,063)**	**(34)**
- 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	**5,478,377**	**6,063,548**	**12,951,495**	**87,254**	**7,483**	**-**	**6,318,489**	**30,906,646**
- First stage	5,478,377	6,063,548	12,951,495	87,254	7,483	-	6,278,308	30,866,465
- Second stage	-	-	-	-	-	-	15,640	15,640
- Third stage	-	-	-	-	-	-	24,541	24,541
- Purchased or originated impaired	-	-	-	-	-	-	-	-
B. Financial assets valued at fair value with impact on overall profitability	**-**	**39,019**	**-**	**-**	**-**	**-**	**-**	**39,019**
- First stage	-	39,019	-	-	-	-	-	39,019
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
C. Financial assets held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- First stage	-	-	-	-	-	-	-	-
- Second stage	-	-	-	-	-	-	-	-
- Third stage	-	-	-	-	-	-	-	-
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (A+B+C)	**5,478,377**	**6,102,567**	**12,951,495**	**87,254**	**7,483**	**-**	**6,318,489**	**30,945,665**
D. Commitments and financial guarantees given	**-**	**-**	**17,170**	**-**	**-**	**-**	**28,585**	**45,755**
- First stage	-	-	17,170	-	-	-	28,154	45,324
- Second stage	-	-	-	-	-	-	420	420
- Third stage	-	-	-	-	-	-	11	11
- Purchased or originated impaired	-	-	-	-	-	-	-	-
Total (D)	**-**	**-**	**17,170**	**-**	**-**	**-**	**28,585**	**45,755**
Total (A+B+C+D)	**5,478,377**	**6,102,567**	**12,968,665**	**87,254**	**7,483**	**-**	**6,347,074**	**30,991,420**

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 Sovereign States (“Central governments and central banks”, “Entities” and “Public Sector Entities" portfolio) and Covered bonds. In general, a weighting factor of 100 percent is applied to the remaining credit exposures, subject to the main exceptions established by CRR 575/2013.

Credit exposures to retail customers (consisting in personal loans, mortgages credit cards spending - both full payment of balance or revolving -, unsecured and secured loans and securities lending at December 31, 2021) are not externally ranked. Rated exposures towards non-retail customers mainly derive from credits with banks having a high credit rating.

Part E - Information on Risks and relating hedging policies

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)

	Gross exposure	Net exposures	Real guarantees (1)				Personal guarantees (2)	
							Credit derivatives	
			Property - mortgages	Property - Financial leases	Securities	Other real guarantees	CLN	Other derivatives: Central counterparties
1. Secured on-balance sheet exposures:	**3,856,586**	**3,856,586**	**-**	**-**	**3,856,579**	**-**	**-**	**-**
1.1 totally secured	3,856,586	3,856,586	-	-	3,856,579	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**17,166**	**17,166**	**-**	**-**	**17,166**	**-**	**-**	**-**
2.1 totally secured	17,166	17,166	-	-	17,166	-	-	-
- 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:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,856,579**
1.1 totally secured	-	-	-	-	-	-	-	3,856,579
- of which impaired	-	-	-	-	-	-	-	-
1.2 partially secured	-	-	-	-	-	-	-	-
- of which impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,166**
2.1 totally secured	-	-	-	-	-	-	-	17,166
- 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:	**4,708,685**	**4,702,418**	**2,479,332**	**-**	**2,174,779**	**48,274**	**-**	**-**
1.1 totally secured	4,704,327	4,698,067	2,475,285	-	2,174,534	48,247	-	-
- of which: impaired	1,514	1,084	879	-	205	-	-	-
1.2 partially secured	4,358	4,351	4,047	-	245	27	-	-
- of which: impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**29,458**	**29,408**	**-**	**-**	**26,144**	**3,252**	**-**	**-**
2.1 totally secured	29,381	29,331	-	-	26,124	3,207	-	-
- of which: impaired	-	-	-	-	-	-	-	-
2.2. partially secured	77	77	-	-	20	45	-	-
- of which: impaired	-	-	-	-	-	-	-	-

Part E - Information on Risks and relating hedging policies

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:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,702,385**
1.1 totally secured	-	-	-	-	-	-	-	4,698,066
- of which: impaired	-	-	-	-	-	-	-	1,084
1.2 partially secured	-	-	-	-	-	-	-	4,319
- of which: impaired	-	-	-	-	-	-	-	-
2. Secured off-balance sheet credit exposures:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,396**
2.1 totally secured	-	-	-	-	-	-	-	29,331
- of which: impaired	-	-	-	-	-	-	-	-
2.2. partially secured	-	-	-	-	-	-	-	65
- 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 which: forborne exposures		-	-	-	-	-	-
A.2 Unlikely to pay		-	-	-	-	-	-
- of which: forborne exposures		-	-	-	-	-	-
A.3 Past-due impaired loans		-	-	-	(1)	-	-
- of which: forborne exposures		-	-	-	-	-	-
A.4 Performing exposures		19,175,946	(5,800)	359,610	(190)	27,042	(3)
- of which: forborne exposures		-	-	-	-	-	-
Total (A)		**19,175,946**	**(5,800)**	**359,610**	**(192)**	**27,042**	**(3)**
B. Off-balance sheet exposures							
B.1 Impaired		-	-	-	-	-	-
B.2 Unimpaired		-	-	2,335	-	-	-
Total (B)		**-**	**-**	**2,335**	**-**	**-**	**-**
Total (A+B)	**12/31/2021**	**19,175,946**	**(5,800)**	**361,945**	**(192)**	**27,042**	**(3)**
Total (A+B)	**12/31/2020**	**16,455,100**	**(7,330)**	**345,337**	**(206)**	**20,393**	**(3)**

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		1	(7)	2,140	(16,790)
- of which: forborne exposures		-	-	34	(250)
A.2 Unlikely to pay		19	(44)	1,160	(2,255)
- of which: forborne exposures		-	-	98	(249)
A.3 Past-due impaired loans		1	(2)	1,060	(1,060)
- of which: forborne exposures		-	-	85	(34)
A.4 Performing exposures		718	(6)	5,619,052	(12,286)
- of wihch: forborne exposures		-	-	1,954	(37)
Total (A)		**739**	**(59)**	**5,623,412**	**(32,391)**
B. Off-balance sheet exposures					
B.1 Impaired		-	-	97	-
B.2 Unimpaired		334	-	1,851,108	(51)
Total (B)		**334**	**-**	**1,851,205**	**(51)**
Total (A+B)	**12/31/2021**	**1,073**	**(59)**	**7,474,617**	**(32,442)**
Total (A+B)	**12/31/2020**	**967**	**(50)**	**5,610,113**	**(34,296)**

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		United States
	Net exposures	Total impairments	Net exposures	Total impairments	Net exposures
A. On-balance sheet exposures					
A.1 Bad loans	2,135	(16,758)	4	(27)	2
A.2 Unlikely to pay	1,178	(2,293)	1	(6)	-
A.3 Impaired past-due exposures	1,052	(1,051)	9	(12)	-
A.4 Unimpaired exposures	13,159,004	(16,576)	10,763,843	(1,497)	963,656
Total (A)	**13,163,369**	**(36,678)**	**10,763,857**	**(1,542)**	**963,658**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	97	-	-	-	-
B.2 Unimpaired exposures	1,847,778	(50)	4,933	(1)	258
Total (B)	**1,847,875**	**(50)**	**4,933**	**(1)**	**258**
Total (A+B) 12/31/2021	**15,011,244**	**(36,728)**	**10,768,790**	**(1,543)**	**963,916**
Total (A+B) 12/31/2020	**11,801,730**	**(39,296)**	**9,571,028**	**(2,353)**	**732,931**

B.2 Distribution of balance sheet and off-balance sheet exposures to customers by geographic area

(continued)

(Amounts in € thousand)

Exposures/Geographical area	United States	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)	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-
A.3 Impaired past-due exposures	-	-	-	-	-
A.4 Unimpaired exposures	(151)	260,231	(57)	8,592	(1)
Total (A)	**(164)**	**260,231**	**(57)**	**8,592**	**(1)**
B. Off-balance sheet credit exposures					
B.1 Impaired exposures	-	-	-	-	-
B.2 Unimpaired exposures	-	773	-	35	-
Total (B)	-	**773**	**-**	**35**	**-**
Total (A+B) 12/31/2021	**(164)**	**261,004**	**(57)**	**8,627**	**(1)**
Total (A+B) 12/31/2020	**(93)**	**296,894**	**(139)**	**8,934**	**(1)**

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		535	(5,012)	181	(1,618)	480	(3,655)	939	(6,473)
A.2 Unlikely to pay		550	(875)	62	(178)	186	(538)	380	(702)
A.3 Impaired past-due exposures		115	(210)	153	(138)	278	(291)	506	(412)
A.4 Unimpaired exposures		2,123,803	(4,321)	817,765	(1,460)	8,952,301	(8,021)	1,265,135	(2,774)
Total (A)		**2,125,003**	**(10,418)**	**818,161**	**(3,394)**	**8,953,245**	**(12,505)**	**1,266,960**	**(10,361)**
B. Off-balance sheet credit exposures									
B.1 Impaired exposures		18	-	8	-	31	-	40	-
B.2 Unimpaired exposures		724,863	(26)	308,394	(9)	451,222	(11)	363,299	(4)
Total (B)		724,881	(26)	308,402	(9)	451,253	(11)	363,339	(4)
Total (A+B)	**31/12/2021**	**2,849,884**	**(10,444)**	**1,126,563**	**(3,403)**	**9,404,498**	**(12,516)**	**1,630,299**	**(10,365)**
Total (A+B)	**31/12/2020**	**2,024,642**	**(10,527)**	**843,552**	**(3,779)**	**7,625,333**	**(13,478)**	**1,308,203**	**(11,512)**

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		5,689,817	(41)	1,001,962	(44)	66,271
Total (A)		**5,689,817**	**(41)**	**1,001,962**	**(44)**	**66,271**
B. Off-balance sheet credit exposures						
B.1 Impaired exposure		-	-	-	-	-
B.2 Unimpaired exposure		17,170	-	127,524	-	-
Total (B)		**17,170**	**-**	**127,524**	**-**	**-**
Total (A+B)	**12/31/2021**	**5,706,987**	**(41)**	**1,129,486**	**(44)**	**66,271**
Total (A+B)	**12/31/2020**	**8,083,920**	**(105)**	**1,404,984**	**(159)**	**109,500**

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		(5)	-	-	431,917	(15)
Total (A)		**(5)**	**-**	**-**	**431,917**	**(15)**
B. Off-balance sheet credit exposures						
B.1 Impaired exposure		-	-	-	-	-
B.2 Unimpaired exposure		-	-	-	-	-
Total (B)		**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2021**	**(5)**	**-**	**-**	**431,917**	**(15)**
Total (A+B)	**12/31/2020**	**(4)**	**-**	**-**	**432,664**	**(28)**

It should be noted that the comparative information as at 31 December 2020 has been restated following the entry into force of the 7th update of Circular no. 262 "Bank's financial statements: layouts and presentations " mentioned above. In particular, in the columns "Italy - Net exposure" and "Italy - Total impairments", the net exposure, amounting to €1,760,340 thousand, and the value adjustments, amounting to €62 thousand, relating to on-demand loans to central banks, recognised in the balance sheet item "Cash and cash balances", have been added, respectively.

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		4,105,960	(16)	29,417	(1)	1,554,440	(24)	-	-
TOTAL		**4,105,960**	**(16)**	**29,417**	**(1)**	**1,554,440**	**(24)**	**-**	**-**
B. Off-balance sheet credit exposures									
B.1 Impaired exposures		-	-	-	-	-	-	-	-
B.2 Unimpaired exposures		17,170	-	-	-	-	-	-	-
Total (B)		**17,170**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total (A+B)	**12/31/2021**	**4,123,130**	**(16)**	**29,417**	**(1)**	**1,554,440**	**(24)**	**-**	**-**
Total (A+B)	**12/31/2020**	**5,928,419**	**(13)**	**109,582**	**(12)**	**2,045,919**	**(80)**	**-**	**-**

It should be noted that the comparative information as at 31 December 2020 has been restated following the entry into force of the 7th update of Circular no. 262 "Bank's financial statements: layouts and presentations " mentioned above. In particular, in the columns "Italy Central - Net exposures" and "Italy Central - Total impairments", respectively, the net exposure, amounting to €1,760,340 thousand, and the value adjustments, amounting to €62 thousand, relating to on-demand loans to central banks, recognised in the balance sheet item "Cash and cash balances", have been added.

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B.4 Large exposures

As at 31 December 2021, the "risk positions" constituting a "large exposure" pursuant to the Commission Implementing Regulation (EU) No 451/2021 of 17 December 2020 which establishes technical implementation rules with regard to the reporting of entities for supervisory purposes in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, and subsequent Regulations that modify the content, are the following:

- book value: € 26,544,482 thousand, excluding reverse repo transactions and indirect exposures as defined below;
- non-weighted value: € 31,373,024 thousand, including repurchase agreements and indirect exposures;
- weighted value: € 2,193,199 thousand, including repurchase agreements and indirect exposures;
- number of "risk positions": 35.

It should be noted that, in accordance with the EBA Guidelines on connected customers pursuant to Article 4, paragraph 1, point 39) of Regulation (EU) no. 575/2013, the large exposures also include counterparties with links 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 Regulation (EU) 876/2019, which entered into force as of 28 June 2021, introduced the requirement to apply the "Substitution Approach", whereby an Institution, when reducing its exposure to a client using a credit risk mitigation technique eligible under Article 399, paragraph 1, treats, in the manner set out in Article 403, the portion of the exposure corresponding to the reduction as an exposure to the protection provider rather than to the client. This implies compliance with the limits set by Article 395 CRR on the sum of direct exposures to clients and exposures represented by collateral received (“indirect exposures”). In addition, the Regulation requires institutions to add to the total exposures toward a client the exposures arising from derivative contracts where the contract has not been directly concluded with that client but the underlying debt or equity instrument has been issued by that client (“indirect exposures”).

Following the deconsolidation of FinecoBank from the UniCredit Group took place, FinecoBank and UniCredit S.p.A. have entered into a contract (Pledge Agreement) which provides for the granting by UniCredit S.p.A. of financial guarantees in favour of FinecoBank aimed at guaranteeing credit risk exposures represented by UniCredit bonds, until their natural expiry, and from the financial guarantees issued by FinecoBank in favour of the Agency of Enter at the request of UniCredit S.p.A., until they are completely extinguished. These guarantees meet the requirements of the applicable legislation to be eligible in the context of credit risk mitigation techniques (CRM), with the consequent reduction in the exposure to UniCredit Group for the purposes of determining the Fineco'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, against proprietary securities and non-asset securities 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 on the part of the transferee to resell at a later date the assets involved in the transaction and retains all risks associated with ownership of the securities.

The Bank also carries out securities lending transactions without collateral or 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	**2**	**-**	**2**	**X**	**-**	**-**	**-**
1. Debt securities	-	-	-	X	-	-	-
2. Equity instruments	2	-	2	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	**3,054,849**	**-**	**3,054,849**	**-**	**3,076,242**	**-**	**3,076,242**
1. Debt securities	3,054,849	-	3,054,849	-	3,076,242	-	3,076,242
2. Loans	-	-	-	-	-	-	-
Total 12/31/2021	**3,054,851**	**-**	**3,054,851**	**-**	**3,076,242**	**-**	**3,076,242**
Total 12/31/2020	**2,125,687**	**-**	**2,125,687**	**-**	**2,174,829**	**-**	**2,174,829**

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.

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B. Assets sold and fully derecognised with recognition of continuing involvement

Qualitative information

No data to report.

Qualitative information

No data to report.

E.4 Covered bond transactions

No data to report.

F. 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 rating of all financial instruments held.

Credit Risk Measurement – Banking Book

The banking book of the Bank consists mainly of securities, current accounts with credit institution and deposits with Bank of Italy. Retail customer activities are limited to the granting of personal loans, mortgages, credit cards and credit lines.

Information on Sovereign Exposures

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 face value, the book value and the fair value of these exposures as at December 31, 2021. The Bank is exposed to debt securities issued by sovereign entities which are classified under the item "Other financial assets mandatorily at fair value" for € 72 thousand.

In addition, the Bank hold investments in debt securities issued by Supranational institutions and Agencies accounted for in "Financial assets at amortised cost”.

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(Amounts in € thousand)

	Nominal value as at 12/31/2021	Carrying amount as at 12/31/2021	Fair value as at 12/31/2021	% Financial statements item 12/31/2021
Italy	**6,876,975**	**7,263,632**	**7,476,132**	**21.5%**
Financial assets at amortised cost	6,876,975	7,263,632	7,476,132	23.5%
Spain	**4,495,000**	**4,749,778**	**4,886,822**	**14.0%**
Financial assets at amortised cost	4,495,000	4,749,778	4,886,822	15.4%
Germany	**125,000**	**126,716**	**132,133**	**0.4%**
Financial assets at amortised cost	125,000	126,716	132,133	0.4%
France	**1,248,500**	**1,289,919**	**1,311,232**	**3.8%**
Financial assets at amortised cost	1,248,500	1,289,919	1,311,232	4.2%
U.S.A.	**737,242**	**745,907**	**748,317**	**2.2%**
Financial assets at amortised cost	737,242	745,907	748,317	2.4%
Austria	**512,500**	**519,695**	**536,987**	**1.5%**
Financial assets at amortised cost	512,500	519,695	536,987	1.7%
Ireland	**945,500**	**982,475**	**1,022,071**	**2.9%**
Financial assets at fair value through other comprehensive income	35,000	39,012	39,012	100.0%
Financial assets at amortised cost	910,500	943,463	983,059	3.1%
United Kingdom	**48,793**	**48,988**	**48,972**	**0.1%**
Financial assets at amortised cost	48,793	48,988	48,972	0.2%
Belgium	**540,000**	**557,732**	**577,615**	**1.6%**
Financial assets at amortised cost	540,000	557,732	577,615	1.8%
Portugal	**330,000**	**386,528**	**392,368**	**1.1%**
Financial assets at amortised cost	330,000	386,528	392,368	1.3%
Switzerland	**43,558**	**44,164**	**44,123**	**0.1%**
Financial assets at amortised cost	43,558	44,164	44,123	0.1%
Saudi Arabia	**90,000**	**90,305**	**89,145**	**0.3%**
Financial assets at amortised cost	90,000	90,305	89,145	0.3%
Chile	**203,100**	**215,488**	**209,488**	**0.6%**
Financial assets at amortised cost	203,100	215,488	209,488	0.7%
China	**165,832**	**165,160**	**160,422**	**0.5%**
Financial assets at amortised cost	165,832	165,160	160,422	0.5%
Latvia	**30,000**	**29,710**	**29,063**	**0.1%**
Financial assets at amortised cost	30,000	29,710	29,063	0.1%
Iceland	**15,000**	**14,962**	**14,680**	**0.0%**
Financial assets at amortised cost	15,000	14,962	14,680	0.0%
Total sovereign exposures	**16,407,000**	**17,231,159**	**17,679,570**	**51.0%**

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 lien with the balance sheet items were determined on the total of the individual items of the financial statements.

Please note 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 31, 2021, investments in debt securities issued by Sovereign States accounted for 51% of the Bank's total assets and none of them were no structured debt securities. The Bank is therefore exposed to fluctuations in the price of the public debt securities of the countries listed above. Tensions or volatility in the government bond market may negatively affect on the Bank's financial position and performance.

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The following table shows the sovereign ratings as at December 31, 2021 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	Aaa	AAA	AA+
USA	Aa1	AA+	AA+
Austria	A2	A+	AA-
Ireland	Aa3	AA-	AA
Belgium	Aa3	AA-	AA
Portugal	Baa2	BBB	BBB
United Kingdom	Aaa	AAA	AAA
Switzerland	A1	A	A-
Saudi Arabia	A1	A-	A+
Chile	A1	A+	A+
Israel	A3	A-	A+
China	A2	A	A
Latvia	Baa3	BBB	BBB
Iceland	Baa1	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

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 Bank 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 Bank's portfolios;
- checking that the measurements are consistent with the approved limits;
- initiating the escalation process when limits are exceeded, engaging the Bank’s Top Management;
- discussing and approving new products with innovative and complex market risk profiles.

Impacts of the crisis unfolded by COVID-19 pandemic on market risks

During 2021, no impacts on the market risk profile resulting from the health emergency were recorded, neither with regard to the banking book nor with regard to the trading book. Following the COVID-19 pandemic, FinecoBank did not change the strategies, objectives or policies for the management, measurement and control of market risks.

Risk measurement and reporting framework

Trading Book

The main tool used by the Bank 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.

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Banking Book

The primary responsibility for monitoring and controlling Market Risk management in the banking book lies with the Bank's competent Bodies. The CRO Department of FinecoBank 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 Bank. 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 Bank may be viewed as the present value of the expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities. A relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 basis point rate shock. Such measure is considered relevant to assess the economic value impact of various changes in the yield curve. The economic value sensitivity is also calculated for a 200bp parallel shock. A monitoring variable from this perspective is the value at risk resulting from interest rate risk component only;
- Income perspective: the focus of analysis is the impact of changes of interest rates on accrued or reported Net Interest Income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities. An example of a risk measure used is the Net Interest Income sensitivity for a 100bp parallel shock in rates. Such measure provides an indication of the impact that such a shock would have on the net interest margin over the next 12 months.

The third one is exchange rate risk. This exposure mainly derives from a mismatching of assets and liabilities in USD. Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

Procedures and methodologies for valuation of Trading Book positions

The Bank 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 variablesdiffers 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 Bank's economic results.

In addition to daily marking to market or marking to model, the CRO Department of FinecoBank 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.

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- 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 Bank's framework uses additional instruments such as stress tests.

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 Bank does not perform proprietary trading and does not assume speculative positions in its books. Accounting movements in the Bank's trading book are recorded against brokerage activities with retail customers, in particular for OTC instruments trading. Other movements in the trading book are recorded for the own account dealing, available for several securities when the Bank takes on the role of counterparty to the customer. This activity is performed as a result of the options introduced by the MiFID which allow the execution of orders for financial instruments in a number of execution venues including internal execution.

B. Processes for managing and methods for measuring interest rate risk and price risk

For a characterization of both internal risk monitoring, managing processes and risk assessment methodologies, please refer to the introduction.

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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	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	72	-	-	-
- Others derivates								
+ Long positions	152	54,888	-	-	244	-	1,401	-
+ Short positions	152	54,260	-	-	244	320	1,613	-
3.2 Without underlying security								
- Options								
+ Long positions	15	523	-	-	-	-	-	-
+ Short positions	15	928	-	-	-	-	-	-
- Other derivatives								
+ Long positions	-	75,913	80	35,740	-	-	-	-
+ Short positions	-	62,293	660	49,280	-	-	-	-

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").

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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	-	159,501	-	-	-	-	-	-
+ Short positions	-	159,149	298	-	-	-	-	-
3.2 Without underlying security								
- Options								
+ Long positions	-	1,094	-	-	-	-	-	-
+ Short positions	-	726	-	-	-	-	-	-
- Other derivatives								
+ Long positions	15	91,082	869	72,681	-	-	-	-
+ Short positions	15	104,673	255	58,541	-	-	-	-

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
	U.S.A.	UNITED KINGDOM	ITALY	GERMANY	FRANCE	OTHER COUNTRY	
A. Equity instruments							
- long positions	9,103	833	38	1,123	592	3,102	-
- short positions	26	5	20	102	43	77	-
B. Unsettled equity instrument trades							
- long positions	131,362	19	20,464	4,942	13	52,944	-
- short positions	131,286	50	20,486	4,943	51	53,234	-
C. Other equity instruments derivatives							
- long positions	1,461	53	785	159	92	609	-
- short positions	10,298	863	883	1,222	612	3,537	-
D. Share index derivatives							
- long positions	23,676	241	8,131	10,884	1,103	3,608	-
- short positions	23,829	267	5,682	12,413	1,349	3,715	-

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 31, 2021, the daily VaR of the trading book amounted to € 101 thousand. The average for the year 2021 is € 199 thousand, with a maximum peak of € 508 thousand and a minimum of € 32 thousand.

The volatility in the price of instruments determines direct impacts on the income statement.

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 Bank's earnings;
- the net present value of assets and liabilities, as well as the present value of future cash flows.

The Bank 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 Bank's assets and liabilities. These mismatches result in a risk associated with the yield curve. This risk relates to the Bank's exposure to changes in the slope and shape of the yield curve.
- basis risk: this can be divided into two types of risk:
  - o tenor risk, arising from the mismatch between instrument expiry and the change in interest rates;

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  - 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 Bank's banking book positions.

Within the organisational framework described above, the Board of Directors approves the limits on interest rate. These limits are set in terms of VaR (calculated using the methodology described above in relation to the trading book). The Parent Company is responsible for managing the exposure to interest rate risk within the limits assigned.

In order to assess the effects of changes in the yield curve on the banking book, scenario analyses involving the parallel shifts in the rate curve of +/- 100 bps and +/- 200 bps are conducted at weekly intervals; further six standardized scenarios proposed by EBA guidelines (EBA/GL/2018/02) are also conducted on a weekly basis.

The scenarios relating to changes in economic value, used to fill in the EU IRRBB template reported in paragraph 2 "Banking book: internal models and other methods for sensitivity analysis", correspond to the scenarios of the Supervisory Outlier Test envisaged by the aforementioned EBA guidelines.

The scenarios applied in the EU IRRBB template relating to the change in interest income, on the other hand, reflect the assumptions underlying the assessments of the EV sensitivity scenarios and are calculated with the following assumptions:

- application of a post-shock floor increasing from -100 to 0 (from O / N to 20 years, an increase of 5 bps per year) for single currency and single curve;
- 50% weighting for the positive contributions of NII (per single currency).

For more details reference is made to section *2. Banking book: internal models and other methods of sensitivity analysis.*

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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	**2,382,763**	**5,989,116**	**254,552**	**678,168**	**4,950,206**	**14,514,613**	**1,200,162**	**-**
1.1 Debt securities	-	4,715,736	175,345	529,083	4,134,015	13,912,062	284,638	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	4,715,736	175,345	529,083	4,134,015	13,912,062	284,638	-
1.2 Loans to banks	6,694	303,242	-	-	-	-	-	-
1.3 Loans to customers	2,376,069	970,138	79,207	149,085	816,191	602,551	915,524	-
- current accounts	2,107,907	169	144	250	797	-	-	-
- other loans	268,162	969,969	79,063	148,835	815,394	602,551	915,524	-
- with early redemption option	5,772	454,834	77,851	145,745	810,975	602,522	915,460	-
- others	262,390	515,135	1,212	3,090	4,419	29	64	-
2. On-balance sheet liabilities	**28,615,582**	**65,697**	**1,036,730**	**71,937**	**33,192**	**517,511**	**710**	**-**
2.1 Deposits from customers	28,470,946	65,619	2,409	29,311	31,609	18,345	644	-
- current accounts	28,354,154	-	-	-	-	-	-	-
- other payables	116,792	65,619	2,409	29,311	31,609	18,345	644	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	116,792	65,619	2,409	29,311	31,609	18,345	644	-
2.2 Deposits from banks	144,636	78	1,034,321	42,626	1,583	1,900	66	-
- current accounts	62,800	-	-	-	-	-	-	-
- other payables	81,836	78	1,034,321	42,626	1,583	1,900	66	-
2.3 Debt securities	-	-	-	-	-	497,266	-	-
- with early redemption option	-	-	-	-	-	497,266	-	-
- others	-	-	-	-	-	-	-	-
2.4 Other liabilities	-	-	-	-	-	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	-	-	-	-	-	-	-
3. Financial derivatives	**-**	**9,269,165**	**126,617**	**53,072**	**1,371,822**	**6,191,209**	**723,094**	**-**
3.1 With underlying security	-	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
3.2 Without underlying security	-	9,269,165	126,617	53,072	1,371,822	6,191,209	723,094	-
- Options	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
- Other derivatives	-	9,269,165	126,617	53,072	1,371,822	6,191,209	723,094	-
+ Long positions	-	8,447,489	100,000	-	230,000	90,000	-	-
+ Short positions	-	821,676	26,617	53,072	1,141,822	6,101,209	723,094	-
4. Other off-balance sheet transactions	**1,531**	**7,923**	**6,788**	**210**	**19**	**27**	**-**	**-**
+ Long positions	488	3,599	3,906	210	19	27	-	-
+ Short positions	1,043	4,324	2,882	-	-	-	-	-

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	**4,736**	**171,493**	**182,439**	**545,180**	**130,409**	**1**	**-**	**-**
1.1 Debt securities	-	101,125	122,930	544,958	130,301	1	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	-	101,125	122,930	544,958	130,301	1	-	-
1.2 Loans to banks	161	35	59,509	222	-	-	-	-
1.3 Loans to customers	4,575	70,333	-	-	108	-	-	-
- current accounts	380	-	-	-	8	-	-	-
- other loans	4,195	70,333	-	-	100	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	4,195	70,333	-	-	100	-	-	-
2. On-balance sheet liabilities	**1,176,068**	**14,893**	**25**	**59**	**151**	**-**	**-**	**-**
2.1 Deposits from customers	1,176,067	14,893	25	59	151	-	-	-
- current accounts	1,164,820	-	-	-	-	-	-	-
- other payables	11,247	14,893	25	59	151	-	-	-
- with early redemption option	-	-	-	-	-	-	-	-
- others	11,247	14,893	25	59	151	-	-	-
2.2 Deposits from banks	1	-	-	-	-	-	-	-
- current accounts	-	-	-	-	-	-	-	-
- other payables	1	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
- Other derivatives	-	-	-	-	-	-	-	-
+ Long positions	-	-	-	-	-	-	-	-
+ Short positions	-	-	-	-	-	-	-	-
4. Other off-balance sheet transactions	**-**	**17,857**	**17,857**	**-**	**-**	**-**	**-**	**-**
+ Long positions	-	5,030	12,827	-	-	-	-	-
+ Short positions	-	12,827	5,030	-	-	-	-	-

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 Bank's financial statements it is necessary to measure the sensibility of loans and deposits to changes in the yield curve. FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of asset and liability items that do not have a contractual maturity; indeed even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

The following table provides the results of the analyses conducted in all currencies.

(Amounts in € thousand)

	Value analysis (shift + 200 bp)	Value analysis (shift - 200 bp)	Value analysis (shift +1 bp)	Irvar*	Interest rate analysis (+100bp)	Interest rate analysis (-30bp)
12/31/2021	54,805	-18,183	356	7,194	133,034	-29,193

*1 day holding period, 99% confidence level%.

The sensitivity analysis on the Bank's capital, which was conducted assuming a shift of + 200 basis points on the euro interest rate curve, showed a positive impact of € 54,805 thousand. A shift of -200 basis points showed a negative impact of € -18,183 thousand.

The sensitivity analysis on Group's capital, which was conducted assuming a shift of + 1 basis point, showed a positive impact of € 356 thousand.

As of December 31, 2021, the interest rate VaR figure for the Bank came to approximately € 7,194 thousand. The average for the year 2021 is equal to € 6,020 thousand with a maximum peak of € 14,777 thousand and a minimum of € 1,375 thousand.

Total VaR, including the Credit Spread Risk component arising mainly from government securities held as investment of liquidity and including the Credit Spread Risk component deriving from UniCredit instruments, amounts to € 49,334 thousand. The average for the year 2021 is equal to € 71,328 thousand with a maximum peak of € 165,896 thousand and a minimum of € 41,572 thousand.

The sensitivity analysis on net interest margin (NIM), which was conducted assuming a shift of +100 basis points on the euro interest rate curve, showed a positive impact of € 133,034 thousand. A shift of -30 basis points would have a negative impact of € -29,193 thousand on the net interest margin over the next 12 months.

The assessments contained in the EU IRRBB Template report the exposure of the interest rate risk metrics at 31 December 2021 and 30 June 2021. For further information on the applied scenarios, please refer to the qualitative information section on Interest Rate Risk.

EU IRRBB Template

(Amounts in € thousand)

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel Up	55,009	68,685	136,991	133,969
2	Parallel Down	(18,202)	(15,258)	(50,005)	(55,020)
3	Steepener shock	772	(16,598)	-	-
4	Flattener shock	6,551	20,213	-	-
5	Short rates Up	20,764	35,679	-	-
6	Long rates Down	(22,380)	(26,623)	-	-

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

As part of its treasury activities, the Bank 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 Bank'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.

Part E - Information on Risks and relating hedging policies

Quantitative information

1. Breakdown by currency of assets, liabilities and derivatives

(Amounts in € thousand)

Items	Currency					
	USD	GBP	CHF	JPY	AUD	OTHER CURRENCIES
A. Financial assets	**968,050**	**145,330**	**65,590**	**2,005**	**3,731**	**14,674**
A.1 Debt securities	798,946	48,988	51,381			
A.2 Equity securities	16,056	711				124
A.3 Loans to banks	80,126	94,028	13,856	2,005	3,731	14,412
A.4 Loans to customers	72,922	1,603	353			138
A.5 Other financial assets						
B. Other assets	**76**	**123**	**1**	**-**		**5**
C. Financial liabilities	**962,714**	**144,863**	**65,201**	**1,859**	**3,577**	**13,015**
C.1 Deposits from banks	1		1			
C.2 Deposits from customers	962,713	144,863	65,200	1,859	3,577	13,015
C.3 Debt securities in issue						
C.4 Other financial liabilities						
D. Other liabilities	**1,152**	**394**				**74**
E. Financial derivatives						
- Options						
+ Long positions	420	673		1		
+ Short positions	217	16		508		
- Other derivatives						
+ Long positions	84,956	31,005	11,300	20,417	4,953	14,117
+ Short positions	84,331	31,051	11,219	19,803	5,015	13,840
Total assets	**1,053,502**	**177,131**	**76,891**	**22,423**	**8,684**	**28,796**
Total liabilities	**1,048,414**	**176,324**	**76,420**	**22,170**	**8,592**	**26,929**
Balance (+/-)	**5,088**	**807**	**471**	**253**	**92**	**1,867**

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 31, 2021, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately € 81 thousand. The average for the year 2021 is equal to € 72 thousand with a maximum peak of € 153 thousand and a minimum of € 18 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 12/31/2021				Total 12/31/2020			
	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	**-**	**-**	**1,000**	**531**	**-**	**-**	**470**	**456**
a) Options	-	-	28	-	-	-	24	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	531	-	-	-	456
e) Others	-	-	972	-	-	-	446	-
2. Equities instruments and share indices	**-**	**-**	**93,645**	**21,901**	**-**	**-**	**61,840**	**15,564**
a) Options	-	-	19,245	-	-	-	5,866	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	21,901	-	-	-	15,564
e) Others	-	-	74,400	-	-	-	55,974	-
3. Currencies and gold	**-**	**-**	**233,634**	**160**	**-**	**-**	**164,932**	**154**
a) Options	-	-	1,637	-	-	-	1,215	-
b) Swap	-	-	-	-	-	-	-	-
c) Forward	-	-	-	-	-	-	-	-
d) Futures	-	-	-	160	-	-	-	154
e) Others	-	-	231,997	-	-	-	163,717	-
4. Commodities	**-**	**-**	**3,179**	**1,318**	**-**	**-**	**1,966**	**541**
5. Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**331,458**	**23,910**	**-**	**-**	**229,208**	**16,715**

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 Turbo certificates issued by FinecoBank, traded on the Hi-Cert 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 12/31/2021				Total 12/31/2020			
	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. Positive fair value								
a) Options	-	-	1	-	-	-	-	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	68	-	-	-	22
g) Others	-	-	3,242	-	-	-	3,330	-
Total	**-**	**-**	**3,243**	**68**	**-**	**-**	**3,330**	**22**
2. Negative Fair value								
a) Options	-	-	766	-	-	-	328	-
b) Interest rate swap	-	-	-	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-
f) Futures	-	-	-	4	-	-	-	52
g) Others	-	-	1,444	-	-	-	1,495	-
Total	**-**	**-**	**2,210**	**4**	**-**	**-**	**1,823**	**52**

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 Turbo certificates issued by FinecoBank, traded on the Hi-Cert 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	-	-	1,000
- positive fair value	X	-	-	2
- negative fair value	X	-	-	14
2) Equity instruments and share indices				
- notional amount	X	7,084	78	86,483
- positive fair value	X	-	1	2,002
- negative fair value	X	247	-	1,559
3) Currencies and gold				
- notional amount	X	123,436	1,171	109,026
- positive fair value	X	72	32	1,050
- negative fair value	X	209	-	126
4) Commodities				
- notional amount	X	-	-	3,179
- positive fair value	X	-	-	82
- negative fair value	X	-	-	55
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	-	-	-	-

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		972	-	28	1,000
A.2 Financial derivative contracts on equity instruments and share indices		38,079	84	55,482	93,645
A.3 Financial derivatives on exchange rates and gold		233,633	-	-	233,633
A.4 Financial derivatives on commodities		3,179	-	-	3,179
A.5 Financial derivatives on other instruments		-	-	-	-
Total	**12/31/2021**	**275,863**	**84**	**55,510**	**331,457**
Total	**12/31/2020**	**182,170**	**84**	**46,952**	**229,206**

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 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

Fair value hedging strategies, with the aim of complying with the interest rate risk limits for the banking book, are implemented using OTC derivative contracts. The latter, typically interest rate swaps, represent the family of instruments used mainly. The hedges adopted are normally classified as generic that is, connected to amounts of money contained in portfolios of assets or liabilities. There are however hedging derivatives on fixed rate bonds, which carry out specific hedges. The derivatives subscribed for the purpose of hedging exactly replicate the hedged security in terms of notional, maturity, interest payment dates.

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.

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 Bank uses a test method based on sensitivity analysis. 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.

Part E - Information on Risks and relating hedging policies

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.

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 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 amortised cost", also covered for the interest rate risk component with Interest Rate swaps which exchange the fixed rate coupon with a variable rate.

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 12/31/2021				Total 12/31/2020			
	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	**8,617,489**	**250,000**	**-**	**-**	**6,627,777**	**250,000**	**-**	**-**
a) Options	-	-	-	-	-	-	-	-
b) Swap	8,617,489	250,000	-	-	6,627,777	250,000	-	-
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	**8,617,489**	**250,000**	**-**	**-**	**6,627,777**	**250,000**	**-**	**-**

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 the ineffectiveness of the hedge	
	Total 12/31/2021				Total 12/31/2020				Total	Total
	Over the counter			Organized markets	Over the counter			Organized markets	12/31/2021	12/31/2020
	Central counterparts	Without central counterparties: With netting arrangements	Without central counterparties: Without netting arrangements		Central counterparts	Without central counterparties: With netting arrangements	Without central counterparties: Without netting arrangements			
Positive fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	126,940	509	-	-	17,104	1,899	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**126,940**	**509**	**-**	**-**	**17,104**	**1,899**	**-**	**-**	**-**	**-**
Negative fair value										
a) Options	-	-	-	-	-	-	-	-	-	-
b) Interest rate swap	57,314	-	-	-	214,388	-	-	-	-	-
c) Cross currency swap	-	-	-	-	-	-	-	-	-	-
d) Equity swap	-	-	-	-	-	-	-	-	-	-
e) Forward	-	-	-	-	-	-	-	-	-	-
f) Futures	-	-	-	-	-	-	-	-	-	-
g) Others	-	-	-	-	-	-	-	-	-	-
Total	**57,314**	**-**	**-**	**-**	**214,388**	**-**	**-**	**-**	**-**	**-**

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	8,617,489	250,000	-	-
- positive fair value	126,940	508	-	-
- negative fair value	57,313	-	-	-
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		581,364	1,371,822	6,914,303	8,867,489
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	**12/31/2021**	**581,364**	**1,371,822**	**6,914,303**	**8,867,489**
Total	**12/31/2020**	**321,411**	**1,309,637**	**5,246,730**	**6,877,778**

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 monetary amount of "Financial assets at amortised cost" hedged amounted to € 1,461,489 thousand, subject to generic hedging, referring exclusively to mortgages;
- the amount of "Financial liabilities at amortised cost" covered amounted to € 570,000 thousand, subject to generic hedging, referring exclusively to the core deposits.

(Amounts in € thousand)

			Specific hedges			
	Specific hedges: book value	Specific hedges - net positions: balance sheet value of assets or liabilities (before offsetting)	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	Generic hedges: book value
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:	**7,766,157**	**7,766,157**	**(96,605)**	**-**	**(215,186)**	**-**
1.1 Debt securities and interest rate	7,766,157	7,766,157	(96,605)	-	(215,186)	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 12/31/2021	**7,766,157**	**7,766,157**	**(96,605)**	**-**	**(215,186)**	**-**
Total 12/31/2020	**-**	**-**	**-**	**-**	**-**	**-**
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 12/31/2021	**-**	**-**	**-**	**-**	**-**	**-**
Total 12/31/2020	**-**	**-**	**-**	**-**	**-**	**-**

D.2 Cash flow hedging and hedging a net investment in a foreign entity

No data to report.

Part E - Information on Risks and relating hedging policies

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.

Section 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 Bank, 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 Bank 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 Bank 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 Bank may not be able to liquidate the positions thereof;
- structural liquidity risk is defined as the Bank'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 Bank;
- 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 Bank may not be able to deal effectively with any planned cash outflows.

In order to deal with its exposure to liquidity risk, the Bank invests the part of its liquidity estimated by internal models as persistent and stable (so-called core liquidity) into medium/long-term investments. The amount of liquidity characterized by a lower persistence profile (so-called non-core liquidity) is employed in liquid or easily liquidable assets, such as, for example, demand deposits, short-term loans or government securities that can be used as a short-term source of funding at the Central Bank.

At the reporting date, there were no "Contingent liquidity and funding needs", such as, for example, accelerated repayment clauses or the issue of additional guarantees relating to a downgrade of the Bank.

The key principles

The Bank'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 Bank 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. In March 2021, the Global Policy has been updated in order to ensure consistency between the liquidity risk contingency plan, the capital contingency plan, the Group Risk Appetite Framework and the Group Recovery Plan.

Part E - Information on Risks and relating hedging policies

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 Bank's liquidity position from one day up to one year. The primary objective is to maintain the Bank'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 Bank'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 Bank uses several scenarios ranging from general market crisis to idiosyncratic crisis, and combinations thereof.

In this context, the Bank 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 Bank from risks related to the transformation of maturity.

Short term liquidity management

Short-term liquidity management aims at ensuring that the Bank 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 Bank calculates the Operative Maturity Ladder, which measures the cash inflows and outflows affecting the monetary base, with details of the main temporal buckets.

The Bank’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 Bank'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 Bank adopts a prudent approach to its investments of liquidity, taking into account funding maturities. The indicator used and monitored as part of the wider Risk Appetite Framework (NSFR) ensures that assets and liabilities have a sustainable maturity structure. With the update of the Group Liquidity Policy, it has been introduced a new management indicator called "Structural Ratio". The latter, developed by the CRO Department of FinecoBank, has the objective of managing the risk of maturity transformation, considering the specificities of Fineco's funding represented in the Bank's sight items model. Such indicator complements the NSFR regulatory indicator described above, and shares its objectives and most of its logic.

Liquidity Stress Test

The Liquidity Stress Test activity evaluates 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 analyses 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.

Part E - Information on Risks and relating hedging policies

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 FinecoBank's CRO Department and validated by the Internal Validation function.

Contingency Liquidity Management

The objective of FinecoBank "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 Bank 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 2020 Internal Liquidity Adequacy Assessment Process includes COVID-19 impacts on the Bank's liquidity adequacy as at December 31, 2020. The stress tests, 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 Bank.

Impacts of the crisis unfolded by COVID-19 pandemic on liquidity

In March 2020, FinecoBank has recorded a sharp increase in direct customer deposits due to the high market uncertainty resulting from COVID-19 pandemic; in April and May 2020 direct funding has decreased as the outcome of further liquidity investment from customers. In the second half-year 2020, incoming and outgoing liquidity flows have normalized, showing the stability of the Bank's liquidity position. From the beginning of the COVID-19 pandemic crisis, direct funding as a whole has actually increased. The growth trend continued in 2021.

As far as liquidity 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.

Part E - Information on Risks and relating hedging policies

Quantitative information

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	**2,368,936**	**99,269**	**227,113**	**876,190**	**151,533**	**1,296,523**	**1,487,950**	**7,254,407**	**15,323,055**	**298,045**
A.1 Government securities	-	-	2,531	247,431	59,918	104,875	591,208	4,265,552	11,374,648	-
A.2 Debt securities	-	406	2,095	401,726	8,672	1,093,632	715,141	2,086,295	2,178,286	-
A.3 Units in investment funds	-	-	-	-	-	-	-	-	-	-
A.4 Loans	2,368,936	98,863	222,487	227,033	82,943	98,016	181,601	902,560	1,770,121	298,045
- Banks	6,694	1,081	-	4,120	1	-	-	-	-	298,045
- Customers	2,362,242	97,782	222,487	222,913	82,942	98,016	181,601	902,560	1,770,121	-
B. On-balance sheet liabilities	**28,642,861**	**8,416**	**3,591**	**7,886**	**46,011**	**1,031,798**	**74,853**	**33,193**	**521,093**	**-**
B.1 Deposits and current accounts	28,418,305	-	-	1	-	-	-	-	-	-
- Banks	62,800	-	-	-	-	-	-	-	-	-
- Customers	28,355,505	-	-	1	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	2,500	-	500,000	-
B.3 Other liabilities	224,556	8,416	3,591	7,885	46,011	1,031,798	72,353	33,193	21,093	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	75,400	13	-	531	-	-	16	49	418
- Short positions	-	75,676	5	-	-	-	-	88	580	418
C.2 Financial derivatives without exchange of capital										
- Long positions	644	40	-	7,449	5,336	19,680	30,534	-	-	-
- Short positions	991	-	-	11,208	15,057	27,576	58,782	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	2,882	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	2,882	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	73	53	191	784	104	3,906	210	19	27	-
- Short positions	1,028	3,908	-	416	-	-	-	-	15	-
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	**5,051**	**14,967**	**2,257**	**24,915**	**132,293**	**184,335**	**542,652**	**130,515**	**1**	**-**
A.1 Government securities	-	-	927	19,430	83,920	124,815	542,328	123,609	1	-
A.2 Debt securities	-	-	-	-	-	-	102	6,776	-	-
A.3 Units in investment funds	6	-	-	-	-	-	-	-	-	-
A.4 Loans	5,045	14,967	1,330	5,485	48,373	59,520	222	130	-	-
- Banks	161	13	-	35	28	59,520	222	-	-	-
- Customers	4,884	14,954	1,330	5,450	48,345	-	-	130	-	-
B. On-balance sheet liabilities	**1,176,105**	**5,176**	**88**	**958**	**8,701**	**25**	**59**	**151**	**27**	**-**
B.1 Deposits and current accounts	1,164,851	-	-	-	-	-	-	-	-	-
- Banks	-	-	-	-	-	-	-	-	-	-
- Customers	1,164,851	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	11,254	5,176	88	958	8,701	25	59	151	27	-
C. Off-balance sheet transactions										
C.1 Financial derivatives with exchange of capital										
- Long positions	-	181,041	5	528	160	-	-	-	-	-
- Short positions	-	180,259	13	390	263	298	-	-	-	-
C.2 Financial derivatives without exchange of capital										
- Long positions	2,652	-	-	-	-	-	-	-	-	-
- Short positions	1,220	-	-	-	-	-	-	-	-	-
C.3 Deposits and loans to be collected										
- Long positions	-	5,030	-	-	-	-	-	-	-	-
- Short positions	-	-	-	-	-	5,030	-	-	-	-
C.4 Irrevocable commitments to lend funds										
- Long positions	-	-	-	-	-	12,827	-	-	-	-
- Short positions	-	12,827	-	-	-	-	-	-	-	-
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

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 Bank has a Global Policy for the monitoring and control of operational and reputational risks, approved by the Board of Directors of 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.

In June 2021, the Board of Directors of FinecoBank approved the Global Policy "Operational Risk Management Framework for the assessment of ICT and Cyber risk", which defines a common methodology at Group level for the assessment of IT and cyber risks. The analysis is conducted both in a context of normal business performance (expected impact), and in the event of extraordinary events (extreme impact).

Finally, in November 2021 the Chief Executive Officer and General Manager of approved a Global Operational Regulation for the control and management of operational and reputational risks, which defines the set of detailed instructions of a technical, operational or methodological nature to support the activities control and management of operational risk (including IT and cyber) and reputational 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 Bank 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 Bank's new business activities.

The Operational & Reputational Risk Management (ORM) function is part of the CRO Department, which reports to the Chief Risk Officer of FinecoBank who in turn reports directly to the Chief Executive Officer and General Manager.

The main activities carried out by the Team in terms of operational risk are:

- definition of the system mitigating and controlling operational risks, in compliance with external regulations and, in accordance with the guidelines provided by the Board of Directors, and the Bank'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 Bank 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 Bank's structures;
- guarantee a reputational risk oversight within the perimeter defined by the Bank;
- 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.

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.

FinecoBank has established a Permanent Work Group (PWG), which includes the CRO Department and Organization & Bank Operation; the interaction between the different corporate functions is aimed at sharing their respective knowledge relating to planned or ongoing projects, new processes, products, or changes to them and any other element that may impact on the Bank's risk profile.

As part of operational risk prevention and controls on the sales network, the CRO Department of FinecoBank 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.

During 2021, 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 Bank's products. To that end, the Chief Risk Officer attends the Product Committee.

Risk measurement system

FinecoBank applies the standardized method (TSA) for the calculation of capital requirements for operational risk. Nevertheless, the governance, the oversight and the reporting framework previously adopted and developed for the internal method for measuring the capital requirement (AMA), have been retained.

The Operational & Reputational Risk function carry out the collection and classification of loss data, external loss data, as well as loss data resulting from scenario analysis and risk indicators.

The collection and classification of operating losses is carried out for internal prevention and improvement purposes. As far as risk indicators are concerned, the function uses several key risk indicators divided into control areas (Credit Cards, Compliance, HR, Legal, Operations securities, Payment Systems, Claims, Risk Management, Reputation, Transparency, AML/CFT, IT systems, Security, Administration and Audit), with which the Bank 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 within an operational and reputational risk-monitoring dashboard. 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. Finally, during 2021 the number of indicators was further expanded in order to strengthen controls in terms of conduct risk and banking transparency.

Scenario analyses allow the assessment of the Bank's exposure to operational risk characterised by low frequency but high potential impact. Scenarios are set by analysing internal losses, external events, risk indicator trends, critical processes, products and risk classes.

Risk capital for operational risk used for regulatory purposes as at December 31, 2021, amounted to € 99,319 thousand (8% of RWAs).

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 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 Bank 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 31, 2021, FinecoBank had a provision in place for risks and charges of € 24,552 thousand. This provision includes the legal costs borne by the Bank 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 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 current dispute, mainly based on the analysis of Forensic official tariffs provided for by current legislation.

Part E - Information on Risks and relating hedging policies

Risks arising from tax disputes and audits

Risks arising from tax disputes and audits as at December 31, 2021 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 31, 2021 the Bank had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, to tax liabilities of for a total of € 5.6 million, for higher tax, and to provisions for risks and charges of € 3.7 million, for penalties and interest.

The assessment of ICT operational risk

The prudential regulations require Banks to conduct an analysis, at least annually, of the Bank's ICT risk and to submit the results of the assessment made to the Board of Directors.

In particular, regulations have introduced standards and specific requirements for managing and assessing ICT risk that require Banks to assess the exposure to these risks, not only by gathering and analysing economic losses, but also by considering additional information, such as ICT incidents occurred and information related to the riskiness of the Bank's assets (hardware and software).

During 2021, with the adoption of the Global Policy "Operational Risk Management Framework for ICT and Cyber Risk Assessment", FinecoBank has established and adopted a framework for the assessment of ICT risk. The results of the analysis, conducted in collaboration with the Bank's Business, ICT and Organisation structures, were reported to the Board of Directors in the month of December 2021. The analysis showed that, with respect to the business volumes processed and the complexity of the processes involved, the residual IT risk of FinecoBank is on average low. The exposure to residual risk has been formally accepted by Fineco's Process Owners without the need to identify additional mitigation measures.

The Bank's goal is also to protect customers and the business by ensuring data security, declined in its characteristics of availability, confidentiality and integrity. Particular attention is in fact paid to the issues of Cyber Security & Fraud Management from the system design phase, as enabling elements for the correct definition of solutions and services offered, also taking advantage of the opportunities offered by the evolving regulatory context, in order to create full security for the customer while maintaining ease of use. For further information on Cyber Security and Fraud Management, please refer to the Consolidated Non-Financial statement of the FinecoBank Group as at December 31, 2021, published on the FinecoBank website (https://www.finecobank.com).

It should be noted that on 24 February 2022, with the start of the military conflict between Russia and Ukraine, the CSIRT (the National Cybersecurity Agency's response team) called for heightened attention and the adoption of all measures to protect ICT assets, an alert addressed to Italian companies that have relations with Ukrainian operators. On 28 February 2022, the Agency produced a new alert, this time addressed to all national digital infrastructure operators, urging them to adopt "a posture of maximum cyber defence": the offensive could in fact be directed against the coalition that has mobilised to support the attacked country. As far as Italy is concerned, the targets are generally ministries, government agencies, and companies that are strategic for the national interest, including financial institutions. The Bank's objective is to ensure the protection of customers by guaranteeing data security, declined in its characteristics of availability, confidentiality and integrity: in the light of the Russian-Ukrainian crisis on the EU financial markets, particular attention has been paid to the assessment of related risks. In compliance with the measures provided for by current legislation, Fineco has undertaken a series of initiatives aimed at verifying its security posture and operational readiness, also making use of the indications and recommendations suggested by the various national and international bodies. Without prejudice to the adoption, as always, of best practices in the field of security, in terms of both technical and organizational/procedural measures, further mechanisms have been assessed and introduced to deal with any impacts deriving from the contingent situation.

Analysis of operational and security risks related to payment services

In accordance with the 28th update of Bank of Italy Circular 285, the Bank carries out an assessment of operational and security risks related to payment services provided by the Bank. The adequacy of mitigation measures and control mechanisms in place are also in scope. The resulting report for the year 2020 did not show any criticalities or weaknesses, and it was sent to the Bank of Italy within April 30, 2021, according to the rule thereof.

Impacts of the crisis unfolded by COVID-19

No relevant impacts arising from COVID-19 pandemic have been detected so far on the Bank's operational risk profile. Available KRI are not showing any risk profile change, and it has not been detected any operational loss strictly connected with COVID 19 so far.

As far as operational risk is concerned, it should be noted that FinecoBank has not changed its strategies and objectives as well as its management, measurement and control policies.

Part E - Information on Risks and relating hedging policies

Quantitative information

Operational loss analyses enable FinecoBank's Operational & Reputational Risk team to make assessments on the Bank's exposure to operational risk and to identify any critical areas.

The main sources of operating losses are shown below by "event type", i.e. by type of event that generated them according to the Basel framework:

- Internal fraud: losses due to unauthorised activities, fraud, embezzlement or infringement of laws, regulations or company directives that involve at least one internal staff member of the Bank 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 Bank;
- 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.

Section 6 - Other risks

Although the risk types described above represent the main categories, there are others the Bank considers nevertheless important. According to Pillar 2 regulatory requirements, the Bank 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 Bank 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 Bank's activities, and takes into consideration all risks defined by the Bank itself quantifiable in terms of capital, consistently with pillar two requirements.

The main risks considered in the overall Group Internal Capital as of December 2021 are default risk, concentration risk, migration risk, market risk, interest rate risk, credit spread risk, operational risk, business risk, and real estate risk. The overall Internal Capital is periodically exposed to stress test exercises. Such tools allows to assess the Bank's vulnerabilities to exceptional but plausible events, providing additional information with respect to monitoring activities.

Environmental, social and governance risks (ESG)

Since 2020, FinecoBank has begun a progressive integration of Environmental, Social and Governance risks into its risk management framework.

During the Risk Inventory process for 2022, a specific focus on ESG risks and reputational risks has been developed. Since these are horizontal risks, the analysis focused on the impact assessment of environmental, social, reputational and governance risk factors across the traditional risk categories already managed and monitored.

The assessment of ESG risks, consistently with the priorities highlighted by the Regulators, mainly focused on climate and environmental risks, and did not show a high incidence of the latter on the Bank's risk profile. In particular, as far as the FinecoBank's business model is concerned, the risk categories affected by ESG factors were credit and business risks. In particular credit risk, albeit marginally, may suffer the negative effects from physical and transitional events, whereas business risk, may suffer long term impacts stemming from the change in customer preferences as part of the adjustment process towards a low-emission economy.

In order to mitigate the exposures to ESG risks, as part of credit risk second level controls, a series of monitoring activities have been implemented aimed at safeguarding the most vulnerable areas. For example, a specific indicator of environmental risk (ND-Gain) has been included in the context of country risk monitoring. Other examples are the concentration monitoring on mortgages real estate collateral in high climatic and environmental risk areas, carried out under the RAF monitoring, as well as ICAAP stress tests, which take into account both physical risk (deterioration of real estate as collateral for mortgage loans) and transition risk (change in customer preferences towards more ESG choices).

In addition to this, as part of the design and implementation process, on a voluntary basis, of the Environmental Management System compliant with the requirements of EMAS regulation no. 1221/2009/EC, during 2021 the initial environmental analysis has been finalized, a tool that allowed to map the needs and expectations of stakeholders in the environmental field, detecting their respective risks for FinecoBank, as well as defining a risk classification generated and suffered by the organization connected to the most significant environmental aspects on the basis of company activities.

Part E - Information on Risks and relating hedging policies

Among the stakeholders' expectations highlighted as most important by the analysis there are, for example, the compliance with the applicable legislation, the principles and rules of conduct enshrined in the Code of Ethics and the Organization and Management Model pursuant to Legislative Decree 231/2001 (including environmental protection), the strengthening of Fineco's ability to measure its environmental performance, to report on its environmental performance and to set targets for improvement, the satisfaction of the requests of Clients who are more attentive to ESG issues, the awareness of human capital in the environmental field and the need to ensure an open dialogue with stakeholders. The risks and opportunities deriving from these expectations are mainly of a reputational, strategic and compliance nature, and are managed by implementing specific activities aimed at mitigating them, such as, for example, the execution of internal audits on environmental legislative compliance, the drafting and subsequent publication of the Environmental Declaration in accordance with the EMAS Regulation, including the goals and targets of the Environmental Programme 2021-2024, and the intensification of information and training flows in the environmental field with the main stakeholders.

For further information on environmental, social and governance risks the Bank is exposed to, reference is made to the 2021 Non-Financial Statement.

Risks associated with "Brexit"

The Bank continues to develop its business in the UK, offering trading and investment services to UK customers through passporting under the UK Temporary Permission Regime (TPR).

In addition, FinecoBank is in continuous contact with the competent authorities regarding the evolution of the Brexit scenario, expected at the end of the aforementioned TPR period, and the related need to intervene in the structure of the UK business to meet the new post-TPR regulatory requirements.

Part F – Shareholders' equity

Section 1 - Bank's shareholders' equity

Qualitative information

Capital management is aimed at ensuring that prudential ratios are consistent with the risk profile assumed and comply with regulatory requirements.

The monitoring of capital adequacy at individual and consolidated level is ensured by the capital management activity where the size and optimal combination among the various capitalization instruments are defined, in compliance with regulatory constraints and in line with the risk profile assumed by the 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 scarce resource on which there are exogenous limits, defined by supervisory regulations.

The shareholders' equity includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement[45], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, intended to trade on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of €300 million. The coupon for the first 5 years has been fixed at 5.875%.

[45] Unrated and unlisted

Part F – Shareholders' equity

Quantitative information

B.1 Bank's shareholders' equity: breakdown

(Amounts in € thousand)

Items/Amounts	Amount 12/31/2021	Amount 12/31/2020
1. Share capital	201,267	201,153
2. Share premium reserve	1,934	1,934
3. Reserves	634,146	648,882
- from earnings	597,754	617,699
a) legal	40,253	40,229
c) treasury shares	1,440	1,189
d) others	556,061	576,281
- others	36,392	31,183
4. Equity instruments	500,000	500,000
5. (Treasury shares)	(1,440)	(1,189)
6. Revaluation Reserves:	(5,877)	(2,833)
- Financial assets (other equity securities) designated at fair value through other comprehensive income	410	2,379
- Actuarial gains (losses) on defined benefit plans	(6,287)	(5,212)
7. Net profit (loss) for the year	368,601	323,123
Total	**1,698,631**	**1,671,070**

B.2 Revaluation reserves for financial assets at fair value through comprehensive income: breakdown

(Amounts in € thousand)

Items/Amount	Total 12/31/2021		Total 12/31/2020	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	410	-	2,379	-
2. Equity securities	-	-	-	-
3. Loans	-	-	-	-
Total	**410**	**-**	**2,379**	**-**

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	**2,379**	**-**	**-**
2. Increases	**-**	**-**	**-**
2.1 Fair value increases	-	-	-
2.2 Adjustments for credit risk	-	X	-
2.3 Reclassification through profit or loss of realised negative reserves	-	X	-
2.4 Transfer from other shareholder's equity item (equity securities)	-	-	-
2.5 Other changes	-	-	-
- of which: business combinations	-	-	-
3. Decreases	**(1,969)**	**-**	**-**
3.1 Fair value reductions	(280)	-	-
3.2 Recoveries for credit risk	(6)	-	-
3.3 Reclassification through profit or loss of realised positive reserves	(1,683)	X	-
3.4 Transfer to other shareholder's equity item (equity securities)	-	-	-
3.5 Other changes	-	-	-
- of which: business combinations	-	-	-
4. Closing balance	**410**	**-**	**-**

Part F – Shareholders' equity

B.4 Revaluation reserves on defined benefit obligations: annual changes

(Amounts in € thousand)

	Actuarial gains (losses) on defined benefits plans
1. Opening balance	**(5,212)**
2. Increases	**-**
2.1 Fair value increases	-
2.2 Other changes	-
3. Decreases	**(1,075)**
3.1 Fair value reductions	(1,075)
3.2 Other changes	-
4. Closing balance	**(6,287)**

Section 2 - Own funds and 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 31 December 2021", published on the Company's website www.finecobank.com, as required by Regulation (EU) 575/2013 subsequently Regulations modifying its content, including in particular, the Regulation (EU) 876/2019 (so called CRR II) of the European Parliament and of the Council.

Part 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 for planning, directing, and controlling the Companies' activities, directly or indirectly. This category includes Board members and members of the Board of Statutory Auditors, pursuant to requirements of the Bank of Italy Circular no. 262 of December 22, 2005 as amended and updated, as well as the Chief Executive Officer and General Manager, the Deputy General Manager/GBS Manager, the Chief Financial Officer, the Deputy General Manager/PFA Network Commercial and Private Banking Manager, the Deputy General Manager/Global Business Manager.

(Amounts in € thousand)

Items/sectors	Total 2021	Total 2020
Remuneration paid to "Key Management Personnel", Directors and the Board of Statutory Auditors		
a) short-term benefits	7,169	6,974
b) post-employment benefits	254	257
of which under defined benefit plans	-	-
of which under defined contribution plans	*254*	*257*
c) other long-term employee benefits	-	-
d) termination benefits	-	-
e) share-based payments	2,893	2,480
Total	**10,316**	**9,711**

2. Related-party transactions

The Board of Directors, in order to ensure continued compliance with applicable legal and regulatory provisions on corporate disclosure on transactions with persons in potential conflict of interest, during the meeting on June 10th, 2021 and with the prior favourable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors approved the new "Global Policy for the management managing of transactions with subjects persons in potential conflict of interest of the FinecoBank Group" (the "Procedures Global Policy"). Please note that the Global Policy was updated on December 16, 2021, effective January 15, 2022, to comply with the provisions of Article 88 of CRD V.

The aforementioned Global Policy includes the provisions to be complied with when managing:

- related parties transactions pursuant to the Consob Regulation adopted by resolution on March 12, 2010, no. 17221 as amended and updated from time to time (most recently by Consob Resolution No. 21624 of 10 December 2020);
- transactions with associated persons pursuant to the regulations on "Risk activities and conflicts of interest with Associated Persons", laid down by Chapter 11 of Bank of Italy Circular No. 285 of 17 December 2013 (setting out the "Supervisory Provisions for Banks"), as supplemented following Update No. 33 of 23 June 2020;
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 on September 1, 1993, showing the "Consolidated Law on Banking";
- transactions with other relevant persons in potential conflict of interest as defined by the Bank on a self-regulatory basis, taking into account the applicable legal and regulatory provisions.

Considering the above, during 2021, intercompany transactions and 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; in the same period, 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 31, 2021, for each group of related parties pursuant to IAS 24:

(Amounts in € thousand)

	Amounts as at 12/31/2021						
	Associates	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Financial assets at amortised cost b) loans and receivable with customers	-	917	516	1,433	0.01%	4,647	0.02%
Total assets	**-**	**917**	**516**	**1,433**	**0.00%**	**4,647**	**0.01%**
Financial liabilities at amortised cost b) deposits from customers	-	5,756	1,631	7,387	0.03%	-	0.00%
Other liabilities	89	139	-	228	0.07%	-	0.00%
Total liabilities	**89**	**5,895**	**1,631**	**7,615**	**0.02%**	**-**	**0.00%**
Commitments and financial guarantees given	**-**	**158**	**9**	**167**	**0.37%**	**-**	**0.00%**

The following table sets out the impact of transactions with related parties on the main Income Statement items, for each group of related parties.

(Amounts in € thousand)

	Income Statement year 2021						
	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	-	2	1	3	0.00%	-	0.00%
Fee and commission income	-	4	5	9	0.00%	17,482	2.34%
Fee and commission expenses	(95)	-	-	(95)	0.02%	-	0.00%
Gains (losses) on financial assets and liabilities held for trading	-	-	1	1	0.00%	-	0.00%
Impairment losses/writebacks	-	-	-	-	0.00%	(1)	0.17%
Other net operating income	-	64	10	74	0.05%	-	0.00%
Total income statement	**(95)**	**70**	**17**	**(8)**		**17,481**	

The "Associates" category includes transactions with Hi-Mtf Sim S.p.A., a company under significant influence, in which FinecoBank holds a 20% stake for a balance sheet amount of €1,294 thousand. The above transactions originate from the agreement entered into by the Bank with Hi-Mtf Sim S.p.A. for the trading, on the Hi-Cert segment, of Turbo Certificates issued by Fineco.

With regard to the category "Directors, Board of Statutory Auditors and Key Management Personnel", in application of the special regulations laid down in Article 136 of Legislative Decree 385/93 (Consolidated Law on Banking), the obligations established for persons that perform administrative, management and control functions pursuant to those regulations were unanimously approved by a resolution of the Board of Directors with the favourable vote of all members of the Board of Statutory Auditors, in accordance with Article 136 of said Consolidated Law on Banking.

The category "Directors, Board of Statutory Auditors and Key Management Personnel" includes Directors, Board of Statutory Auditors and Key Management Personnel of the Bank dealings (excluding their remuneration, which are discussed in point 1. *Details of compensation for key management personnel*) and dealings with the Head of Internal Audit of FinecoBank, mainly concerning assets for credit card use, mortgages and liabilities for funds held by them with the Bank. The income statement for 2021 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Other related parties" category, where present, includes:

- close family members of key management personnel (i.e., relatives who could be expected to influence, or be influenced by the party involved);
- companies controlled (or jointly controlled) by, or associated with, "key management personnel" or their close family members;
- Group employee post-employment benefit plans;

Part H – Related-party transactions

- Key Management Personnel (i.e. members of the management and control bodies, the latter where present) of Fineco AM, included in the perimeter on a discretionary basis.

Transactions with "Other related parties" mainly refer to assets for credit card use and liabilities for funds held with the Bank. The income statement for 2021 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 31, 2021 held an investment in FinecoBank higher than 3% of the share capital represented by shares with voting rights. The balance sheet amounts include for current receivables and debts associated with the provision of financial services referring to the commissions to be cashed for the placement and management of asset management products. The income statement includes the same fees and commissions accrued for the 2021 financial year.

Outstanding amounts as at 31 December 2021 and the economic components accrued during the year 2021 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 12/31/2021
Assets	**12,137**
Financial assets at amortised cost b) loans and receivables with customers	11,821
Other assets	316
Income statement	**181,334**
Fee and commission income	119,670
Dividend income and similar revenue	61,574
Other net operating income	90

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 12/31/2021			Total 12/31/2020		
	Number of options	Average prices	Average maturity	Number of options	Average prices	Average maturity
A. Opening balance	**1,456,175**	**-**	**Oct-22**	**2,562,510**	**-**	**Jun-21**
B. Increases	**978,932**	**-**	**X**	**204,799**	**-**	**X**
B.1 New issues	978,932	-	Jul-25	204,799	-	Jul-22
B.2 Other increases	-	-	**X**	-	-	**X**
C. Decreases	**(397,795)**	**-**	**X**	**(1,311,134)**	**-**	**X**
C.1 Cancelled	-	-	**X**	(1,440)	-	**X**
C.2 Exercised	(397,795)	-	**X**	(1,309,694)	-	**X**
C.3 Expired	-	-	**X**	-	-	**X**
C.4 Other changes	-	-	**X**	-	-	**X**
D. Closing balances	**2,037,312**	**-**	**Jun-24**	**1,456,175**	**-**	**Oct-22**
E. Vesting options at the end of the year	**266,277**	**-**	**X**	**397,795**	**-**	**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 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.

Part I – Share-based payments

Financial statement presentation related to payments based on shares

(Amounts in € thousand)

	Total 12/31/2021		Total 12/31/2020	
	Total	Vested plans	Total	Vested plans
Costs	5,697		5,048	
- connected to Equity Settled Plans	*5,697*		*5,045*	
- connected to Cash Settled Plans	-		*3*	
Sums paid to UniCredit S.p.A. for vested plans		12		122
Sums collected by UniCredit S.p.A. for vested plans		-		-
Payable due to UniCredit S.p.A.	35		47	
Credit accrued towards Unicredit S.p.A.	69		69	
Credit accrued towards Fineco AM	212		160	

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.

Payables to UniCredit S.p.A. relate to share-based incentive plans of UniCredit S.p.A. that no longer have economic effects.

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 (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 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) 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 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 2021	Depreciation 2020
Right of use		
1. Property, plant and equipment	**(10,765)**	**(11,117)**
1.1 land	-	-
1.2 buildings	(10,499)	(10,862)
1.3 office furniture and fittings	-	-
1.4 electronic systems	-	-
1.5 other	(266)	(255)

At 31 December 2021 there are no short-term leasing commitments for which the cost has not already been recognized in the 2021 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 recognized in the consolidated income statement as income. For more details, please refer to Part C - Section 16 - Other operating income and charges - Item 230 of these notes to the accounts.

1. Balance sheet and income statement information

The Bank 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 14 - Other operating expenses and income - Item 230 of these notes to the accounts.

2. Financial lease

2.1 Classification by time bands of the payments to be received and reconciliation with the loans for leasing entered in the assets

No information to report.

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 12/31/2021 Lease payments receivables	Total 12/31/2020 Lease payments receivables
Up to one year	731	730
Over one year up to 2 years	731	730
Over 2 years up to 3 years	731	730
Over 3 years up to 4 years	161	730
Over 4 years up to 5 years	40	160
For over 5 years	-	40
Total	**2,394**	**3,120**

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 12/31/2021	12/31/2020
Cash and cash balances = item 10	1,442,791	2,006,348
Financial assets held for trading	20,240	16,997
20. Financial assets at fair value through profit or loss a) financial assets held for trading	*20,240*	*16,997*
Loans and receivables with banks	369,863	514,423
40. Financial assets at amortised cost a) loans and receivables with banks	*5,747,507*	*7,988,281*
less: Financial assets at amortised cost a) loans and receivables with banks - Debt securities	*(5,377,644)*	*(7,473,858)*
Loans and receivables with customers	5,983,767	4,517,351
40. Financial assets at amortised cost b) loans and receivables with customers	*25,120,624*	*20,828,706*
less: Financial assets at amortised cost b) loans and receivables with customers - Debt securities	*(19,136,857)*	*(16,311,355)*
Financial investments	24,563,234	23,942,489
20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	*5,422*	*10,578*
30. Financial asset at fair value through other comprehensive income	*39,017*	*143,698*
70. Equity investments	*4,294*	*3,000*
Financial assets at amortised cost a) loans and receivables with banks - Debt securities	*5,377,644*	*7,473,858*
Financial assets at amortised cost b) loans and receivables with customers - Debt securities	*19,136,857*	*16,311,355*
Hedging instruments	125,913	74,451
50. Hedging derivatives	*127,448*	*19,003*
60. Changes in fair value of portfolio hedged financial assets (+/-)	*(1,535)*	*55,448*
Property, plant and equipment = item 80	149,506	150,883
Goodwill = item 90. Intangible assets of which: goodwill	89,602	89,602
Other intangible assets = item 90 net of goodwill	38,978	39,438
Tax assets = item 100	42,955	13,302
Tax credit acquired	508,764	-
Other assets = item 120	483,948	359,810
120. Other assets	992,712	359,810
less: Tax credit acquired	*(508,764)*	-
Total assets	**33,819,561**	**31,725,094**

Attachment 1 - Reconciliation of condensed accounts to mandatory reporting schedule

(Amounts in € thousand)

Liabilities and Shareholder's Equity	Amounts as at 12/31/2021	12/31/2020
Deposits from banks	1,225,213	1,064,859
10. Financial liabilities at amortised cost a) deposits from banks	*1,225,213*	*1,064,859*
Deposits from customers	29,835,930	28,350,321
10. Financial liabilities at amortised cost b) deposits from customers	*29,835,930*	*28,350,321*
Securities in issue	497,266	-
10. Financial liabilities at amortised cost c) securities in issue	*497,266*	-
Financial liabilities held for trading = item 20	4,417	5,889
Hedging instruments	65,263	232,102
40. Hedging derivatives	*57,313*	*214,388*
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	*7,950*	*17,714*
Tax liabilities = item 60	34,647	13,324
Other liabilities	458,194	387,529
80. Other liabilities	*336,403*	*269,964*
90. Provisions for employee severance pay	*5,033*	*4,924*
100. Provisions for risks and charges	*116,756*	*112,641*
Shareholders' Equity	1,698,631	1,671,070
- capital and reserves	1,335,907	1,350,780
130. Equity instruments	*500,000*	*500,000*
140. Reserves	*634,146*	*648,882*
150. Share premium reserve	*1,934*	*1,934*
160. Share capital	*201,267*	*201,153*
170. Treasury shares (-)	*(1,440)*	*(1,189)*
- revaluation reserves	(5,877)	(2,833)
110. Revaluation reserves of which: financial assets at fair value through other comprehensive income	*410*	*2,378*
110. Revaluation reserves for actuarial net gains (losses) for defined benefit plans	*(6,287)*	*(5,211)*
- net profit = item 180	368,601	323,123
Total liabilities and shareholders' equity	**33,819,561**	**31,725,094**

Attachment 1 - Reconciliation of condensed accounts to mandatory reporting schedule

(Amounts in € thousand)

INCOME STATEMENT	Year 2021	2020
Financial margin	280,356	279,981
of which Net interest	248,215	270,976
30. Net interest margin	*243,475*	*267,919*
+ net commissions on Treasury securities lending	*4,740*	*3,057*
of which Profits from Treasury	*32,141*	*9,005*
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*29,243*	*7,235*
+ gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income (unimpaired)	*2,898*	*1,770*
Dividends and other income from equity investments	61,548	52,059
70. Dividend income and similar revenue	*61,773*	52,167
less: dividends from held-for-trading equity instruments included in item 70	*(153)*	*(56)*
less: dividends from mandatorily at fair value equity instruments included in item 70	*(46)*	*(52)*
+ writebcks (write-downs) of investments accounted for using the equity method	*(26)*	-
Net fee and commission income = item 60	352,640	309,969
60. Net fee and commission income	*357,380*	*313,026*
Less: net commissions on Treasury securities lending	*(4,740)*	*(3,057)*
Net trading. hedging and fair value income	74,299	86,674
80. Gains (losses) on financial assets and liabilities held for trading	*71,641*	*87,611*
90. Fair value adjustments in hedge accounting	*2,505*	*(259)*
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	*(46)*	*(786)*
100. Gains (losses) on disposal or repurchase of: b) financial asset at fv through other comprehensive income	*2,898*	*1,770*
less: Gains (losses) on disposal or repurchase of: b) financial asset at fv through other comprehensive income	*(2,898)*	*(1,770)*
100. Gains (losses) on disposal or repurchase of: c) financial liabilities	-	-
+ dividends from mandatorily at fair value equity instruments included in item 70	*153*	*56*
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*46*	*52*
Net other expenses/income	(888)	2,144
200. Other net operating income	*136,389*	110,447
less: other net operating income - of which: recovery of expenses	*(139,471)*	*(110,512)*
less: adjustments of leasehold improvements	*2,194*	*2,209*
100. Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost (unimpaired)	*29,243*	*7,235*
less: gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*(29,243)*	*(7,235)*
REVENUES	**767,955**	**730,827**
Staff expenses	(101,447)	(95,021)
160. Administrative expenses - a) staff expenses	*(101,447)*	*(95,021)*
Other administrative expenses	(257,796)	(224,359)
160. Administrative expenses - b) other administrative expenses	*(295,641)*	*(248,955)*
less: contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*40,039*	*26,805*
+ adjustments of leasehold improvements	*(2,194)*	*(2,209)*
Recovery of expenses	139,471	110,512
200. Other net operating income- of which: recovery of expenses	*139,471*	*110,512*
Impairment/write-backs on intangible and tangible assets	(25,960)	(25,193)
180. Impairment/write-backs on property. plant and equipment	*(19,324)*	*(19,489)*
190. Impairment/write-backs on intangible assets	*(6,636)*	*(5,704)*
Operating costs	**(245,732)**	**(234,061)**
Operating profit (loss)	**522,223**	**496,766**
Net impairment losses on loans and provisions for guaranteed and commitments	(1,655)	(3,334)
100. Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost (impaired)	-	-
130. Impairment losses/writebacks on: a) financial assets at amortised cost	*(594)*	*(9,559)*
less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*(1,070)*	*6,241*
130. Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income	*8*	*(15)*
less: impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*(8)*	*15*
140. Profit/loss from contract changes without cancellation	-	*23*
170. Net provisions for risks and charges:a)provision for credit risk of commitments and financial guarantees given	*9*	*(39)*
Net operating profit (loss)	**520,568**	**493,432**
Other charges and provisions	(49,938)	(34,076)
170. Net provisions for risks and charges b) other net provision	*(9,899)*	*(7,271)*
+ contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*(40,039)*	*(26,805)*
Net income from investments	1,079	(6,262)
+ impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*1,070*	*(6,241)*
+ impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*8*	*(15)*
220. Profit (loss) on equity investments	*(26)*	-
Less: Profit (loss) on equity investments	*26*	-
250. Gains (losses) on disposal of investments	*1*	*(6)*
Net profit (loss) before tax from continuing operations	**471,709**	**453,094**
Income tax for the year = item 270	(103,108)	(129,971)
Net profit (loss) after tax from continuing operations	**368,601**	**323,123**
Profit (loss) for the year	**368,601**	**323,123**

Attachment 1 - Reconciliation of condensed accounts to mandatory reporting schedule

As described in the section "Condensed Financial Statements and Ratios" in the “Consolidated Report on Operations”, in 2021, certain costs related to the activities of financial advisors and related to services that are part of the normal banking activities offered to clients (in particular distribution and management of financial products) were reclassified under item 50. "Fee and commission expenses" from item 160. "Administrative expenses", in order to provide a better representation of both the item "Operating income" ("Revenues" in the condensed income statement) and the item "Operating costs". For the sake of consistency of comparison, the comparative figures shown in the reclassified financial statements presented in the Consolidated Report on Operations have been reclassified, so item 60. "Net commissions" and item 160. "Administrative expenses - b) other administrative expenses" relating to the comparative year 2020, shown in the table above, include the above reclassification in the amount of €26.6 million.

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 24, 1998, do hereby certify:

- the adequacy in relation to the Company's features and
- the actual application

of the administrative and accounting procedures used in the preparation of the financial statements for the year ended December 31, 2021.

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:

a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of July 19, 2002;
b) correspond to the results of the books and accounting records;
c) are suitable to provide 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 15, 2022

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

FinecoBank S.p.A.
The Manager Responsible for Preparing
the Company's Financial Reports
Lorena Pelliciari

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
FinecoBank Banca Fineco S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of FinecoBank Banca Fineco S.p.A. (the "Bank"), which comprise the balance sheet as at December 31, 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and the related notes to the accounts.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2021, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 o/f Italian Legislative Decree no. 38/05 and art. 43 of Italian 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements applicable under Italian law to the audit of the 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Estimate of provisions for risks and charges related to legal disputes	
Description of the key audit matter	As represented in the notes to the accounts, Part B – *Balance* Sheet - Section 10 of the Liabilities - *Provisions for risks and charges*, item 100 "Provisions for risks and charges: c) other provisions for risks and charges" of the balance sheet - liabilities of the financial statements as at December 31, 2021 includes provisions for legal disputes amounting to Euro 24.6 million related to complaints and disputes for damage to customers arising from the unlawful behavior of the Bank's personal financial advisors, pending disputes with personal financial advisors and other ongoing court and out-of-court litigations with customers, in relation to the normal banking activity. In Part E – *Information on Risks and relating Hedging Policies* - Section 5 – *Operational Risks*, paragraph "Risks arising from significant legal disputes" of the notes to the accounts, the Directors point out that, in relation to the pending legal proceedings against the Bank, which are individually irrelevant, there is uncertainty about the possible outcome and the extent of the possible charge that the Bank could incur; where it is possible to reliably estimate the amount of charges and the charges themselves are considered probable, provisions have been made to the extent deemed appropriate given the specific circumstances and in accordance with the international accounting standards, making the best possible estimate of the amount that reasonably the Bank will have to pay to settle its obligations. Paragraph "*Risks and uncertainties related to the use of estimates*" of Part A – *Accounting Policies*, A. 1 – *General*, Section 4 – *Other matters* of the notes to the accounts, contains information on the subjectivity and complexity of the estimation process adopted to support the carrying amount of some items subject to evaluation. For some of them, including provisions for risks and charges, the complexity and the subjectivity of the estimates are affected by the articulation of the assumptions, the number and variability of the available information and the uncertainties regarding the final future outcomes of proceedings, disputes and litigations. Given the number of complaints and disputes, albeit physiological with respect to the Bank's typical operations, and the complexity and articulation of the estimation process, considered the uncertainties related to their outcome, we have considered the estimate of provisions for risks and charges for legal disputes as a key audit matter of the financial statements of the Bank as at December 31, 2021.
Audit procedures performed	Our audit procedures included, among others, the following: • analysis and understanding of the relevant controls implemented by the Bank, in order to identify, manage and monitor complaints from customers and legal disputes with them arising from the banking operations and the activity of the Bank's personal financial advisors; • analysis and understanding of the process adopted by the Management in estimating provisions and evaluation of the reasonableness of criteria, methods and assumptions used;

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- periodic meetings with the heads of the Bank's appointed departments for analysis and discussion of the status of pre-litigation, litigations and complaints;
- analysis of the relevant documentation, including the register of complaints and reports prepared by control functions of the Bank;
- obtaining and examining responses to requests for information to the legal advisors appointed by the Bank;
- verification, for a selection of disputes and complaints, on the basis of the data and information available gathered as a result of the above procedures, of the appropriateness of the related provision and of the accuracy and completeness of the data used for the estimates.

Lastly, we verified the completeness and compliance of the disclosures provided in the notes to the accounts with respect to the requirements of the relevant accounting standards.

Disbursement, classification and evaluation of financial assets at amortised cost - loans to customers

Description of the key audit matter	As represented in the notes to the accounts, Part B – *Balance Sheet* - Section 4 of the Assets - *Financial assets at amortised cost*, and in the report on operations, as at December 31, 2021 financial assets at amortised cost – loans to customers amount to Euro 5,984 million (net book value) and include Euro 24.5 million of non-performing loans net of impairment losses of Euro 20.2 million. Part A – *Accounting Policies* of the notes to the accounts includes the description of the processes for the classification and evaluation of credit exposures for which the Bank refers to the sector regulations, supplemented by the internal provisions governing, in accordance with the applicable accounting standards, the classification and transfer rules within the various risk categories and related evaluation methods. The Bank also considered all relevant factors, including the continuing COVID-19 pandemic and its effects on the real economy. In addition, there is the ongoing conflict between Russia and Ukraine, which has triggered an international crisis whose outcome is currently unpredictable. Part E - *Information on Risks and relating Hedging Policies* – Section 1 – *Credit risk* also illustrates the credit risk management policies. At this regard, the Bank adequately considered the uncertainty resulting from COVID-19 pandemic and the adoption of the supporting measures introduced by the Government, in the form of legislative and non-legislative moratoria. Considering the significance of the amount of loans to customers recorded in the financial statements and the increased complexity of processes of measurement, management and control of credit risk adopted by the Bank, taking into account also the uncertainty associated with the current macroeconomic scenario, we have considered the disbursement, classification and evaluation of the loans to customers as a key audit matter of the financial statements of the Bank as at December 31, 2021.

Audit procedures performed	We have preliminarily acquired a knowledge of the credit process which included, in particular, the understanding of the organizational and procedural safeguards established by the Bank's internal regulations and implemented by the Bank itself with reference to: • assessment of creditworthiness in order to grant the credit; • measurement and monitoring of credit quality; • classification and evaluation of credit exposures in compliance with the sector regulations and in accordance with applicable accounting standards. This activity included the verification of the implementation of the corresponding Bank processes and related procedures, as well as the operational effectiveness of the relevant controls regarding the credit grant, disbursement, measurement and monitoring process. The audit procedures, performed also with the support of specialists belonging to our network where deemed appropriate, included, among others, the following: • analysis and understanding of the IT systems and applications used; • obtaining and examining responses to requests of confirmations to the customers sent on a sample basis; • obtaining and analysis of the monitoring reports prepared by competent Bank departments and organizational units involved; • as regard performing loans (in stage 1 and stage 2, based on the IFRS 9 classification), verification, on a sample basis, of the classification in accordance with the sector regulations and examination of the reasonableness of the evaluation criteria and of the assumptions adopted by the Bank in determining the impairment losses, also considering the complexity and the uncertainties associated with the current macroeconomic context resulting from the continuing pandemic emergency; • as regard non-performing loans (in stage 3, based on the IFRS 9 classification), verification on a sample basis of the classification and of the related evaluation in compliance with the sector regulations and the applicable accounting standards. Lastly, we verified the completeness and compliance of the disclosures provided in the notes to the accounts with respect to the requirements of the applicable accounting standards and the relevant legislation as well as the communications issued by the Supervisory Authorities following the COVID-19 pandemic emergency.

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

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and art. 43 of Italian Legislative Decree no. 136/15 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Bank or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 management's 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of FinecoBank Banca Fineco S.p.A. has appointed us on April 16, 2013 as auditors of the Bank for the years from December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Bank in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of FinecoBank Banca Fineco S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Deloitte.

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of FinecoBank Banca Fineco S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of the Bank as at December 31, 2021, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, paragraph 4 of Legislative Decree 58/98 with the financial statements of FinecoBank Banca Fineco S.p.A. as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of FinecoBank Banca Fineco S.p.A. as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Grazioli
Partner

Milan, Italy
March 31, 2022

As disclosed by the Directors on page 10, the accompanying financial statements of FinecoBank Banca Fineco S.p.A. constitute a version which is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Report of the Board of Statutory Auditors

Board of Statutory Auditors' Report of FINECOBANK S.p.A

pursuant to article 153 of Legislative Decree no. 58/1998 and art. 2429, paragraph 2 of the Italian Civil Code

to the Shareholders' Meeting called for 28 April 2022

for the approval of the Financial Statements as at 31.12.2021

* * * *

Dear Shareholder,

with regard to the provisions of art. 153 of Legislative Decree 58 of 24 February 1998 ("TUF") and art. 2429, paragraph 2, of the Italian Civil Code, the Board of Statutory Auditors (the "Board") of FinecoBank S.p.A. ("FinecoBank" or the "Bank") reports on the activity carried out during the financial year ended 31 December 2021 ("Financial Year"), in compliance with the duties assigned by art. 149 of the aforementioned legislative decree.

1. Appointment and activities of the Board of Statutory Auditors

The Board of Statutory Auditors was appointed by the FinecoBank Shareholders' Meeting of 28 April 2020 and will remain in office until the Shareholders' Meeting for the approval of the Company's Financial Statements as at 31 December 2022.

The appointment concerned the entire Board of Statutory Auditors (consisting of three Standing Auditors and two Alternate Auditors), for the years 2020-2022, in the persons of Elena Spagnol, Massimo Gatto and Chiara Orlandini, as Standing Auditors and Luisa Marina Pasotti and Giacomo Ramenghi, as Alternate Auditors. Luisa Marina Pasotti took over as Chairman and Mr. Giacomo Ramenghi, as Statutory Auditor, effective respectively on 1 October and 12 October 2020 following the resignation of the Chairman, Ms. Elena Spagnol, and of the Statutory Auditor, Ms. Chiara Orlandini. The Shareholders’ Meeting held on 28 April 2021 then resolved to confirm the appointments of Ms. Luisa Marina Pasotti and Mr. Giacomo Ramenghi respectively in the roles of Chairman of the Board of Statutory Auditors and Statutory Auditor of the Bank, as well as the addition of two new Alternate Auditors: Ms. Lucia Montecamozzo and Mr. Alessandro Gaetano.

The Board supervised compliance with the regulations relating to the election of the supervisory body pursuant to CONSOB Communication No. DEM/9017893 of 26/2/2009 and Art 144-sexies, paragraph 5, of the Consob Issuers' Regulation.

In compliance with the provisions of the Corporate Bodies Regulations, and in line with the recommendations of the Corporate Governance Code for FY2021 and the first months of 2022, the Board carried out the annual Self-assessment process in the session of 11 March 2022, confirming the suitability of all the members of the Board of Statutory Auditors, as well as finding the composition of the Board itself adequate in relation to the legal requirements, highlighting a balanced distribution of expertise across the Board of Statutory Auditors.

During the 2021 financial year, the Board of Statutory Auditors held a total of 32 meetings which lasted an average of approximately three hours and forty minutes.

During 2021, the Board of Statutory Auditors attended all the meetings of the Board of Directors. The Shareholders' Meetings held on 28 April 2021 and 21 October 2021 were attended in person by the Chairman of the Board of Statutory Auditors, due to limitations caused by the Covid-19 epidemiological emergency.

Furthermore, the Board of Statutory Auditors ensured that at least two members attended all 23 meetings of the Risk and Related Parties Committee, the 11 meetings of the Remuneration Committee, the 11 meetings of the Corporate Governance and Environmental and Social Sustainability Committee and 15 meetings of the Nomination Committee.

Report of the Board of Statutory Auditors

In 2021, the Board of Statutory Auditors performed its institutional tasks in compliance with the Italian Civil Code, Legislative Decrees No. 385/1993 (Consolidated Law on Banking - TUB), No. 58/1998 (TUF) and No. 39/2010 as amended and/or supplemented, with statutory regulations and regulations issued by supervisory and control authorities, and taking into account the Rules of Conduct of the Board of Statutory Auditors issued by the National Council of Chartered Accountants and Accounting Experts.

On 5 March 2021, the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee pursuant to art. 19 of Legislative Decree 39/2010, finalised, in time for the Fineco Shareholders' Meeting of 28 April 2021 - called to resolve on the appointment of the independent auditors for the period 2022-2030 - the reasoned proposal pursuant to art. 13 of Legislative Decree no. 39 of 27 January 2010, following a specific selection procedure in accordance with the criteria and procedures set out in art. 16 of European Regulation no. 537/2014.

The information provided below also takes into account the express indications contained in CONSOB Communication No. DEM/1025564 of 06 April 2001 as amended and/or supplemented.

2. Transactions of greatest significance economically, financially and to equity

As mentioned in the Consolidated Report on Operations, despite the persistence of the Covid-19 pandemic, the economic recovery continued in 2021, also driven by governments' and central banks' actions, determined to continue to provide support to the real economy and the markets, although still facing numerous uncertainties.

In this economic scenario, the results achieved by FinecoBank in 2021 further confirmed the strength and sustainability of its business model, further improving on the already positive performance achieved in 2020.

The net profit for FY2021 amounted to €368.6 million, an increase of around 14% on the previous year. The cost/income ratio stood at 32% (32% as at 31 December 2020), confirming the high operating leverage and widespread corporate culture in terms of cost management. FinecoBank's Revenues for 2021 amounted to €768 million, up 5.1% from €730.8 million in the previous year.

In order to support customers' financial needs related to the COVID-19 health emergency, FinecoBank, in addition to suspending mortgage instalments with recourse to the CONSAP Fund (in compliance with the "Cura Italia" Decree), implemented a number of initiatives; in particular, it subscribed to the ABI-Consumer Associations Agreement for the moratorium of loans to households as a result of the Covid-19 pandemic, in force until 31 March 2021 (personal loans and mortgages other than those meeting the conditions for access to the Gasparrini Fund), in line with the EBA Guidelines.

The Group guaranteed operational continuity with remote working for all employees, while ensuring the same levels of service and the effectiveness of the internal control system.

The Board of Statutory Auditors notes that, during the financial year, the directors have timely provided information on the activities carried out and on the most significant transactions in terms of income statement, balance sheet and cash flow impact, carried out by the Bank and by its investee Fineco AM during the year 2021.

On 9 February 2021, FinecoBank's Board of Directors approved a binding offer of approximately €1.25 million to acquire a 20% stake in Hi-MTF Sim S.p.A. (hereinafter, “Hi-MTF”) The acquisition was completed on 22 July 2021.

The Board of Directors of FinecoBank, which met on 9 February 2021, resolved to submit a proposal to the Shareholders' Meeting for the allocation of the entire 2020 profit to reserves; the proposal was approved by the Shareholders' Meeting on 28 April 2021.

Report of the Board of Statutory Auditors

In line with Recommendation ECB/2020/62 of 23 July 2021 and in compliance with the Bank of Italy's recommendation of 27 July 2021, taking into account the shareholders' equity resulting from the financial statements for the year ended 31 December 2020, the sustainability of the business model and the regulatory constraints applicable to FinecoBank, including in its capacity as Parent Company of the FinecoBank Banking Group, the Board of Directors of 3 August 2021 resolved to submit a proposal to the Shareholders' Meeting for the distribution of a unit dividend of €0.53 for each of the 609,899,770 shares, to be distributed to Shareholders holding ordinary shares entitled to payment on the scheduled dividend date, for a total amount of €323,246,878.10, drawn from the available profit reserves. The Ordinary Shareholders' Meeting of FinecoBank, which met on 21 October 2021, approved the proposal submitted by the Board of Directors on 3 August 2021. The dividend was paid, in accordance with applicable laws and regulations, on 24 November 2021 with “ex-dividend” date on 22 November 2021.

In June 2021, Fineco, in accordance with Article 110 of Decree-Law 104 of 2020, realigned the tax value of goodwill recognised in the financial statements as at 31 December 2019 and still in the accounts as at 31 December 2020, by paying the applicable substitute tax. As a result of this realignment, the Parent Company's financial statements recognised income totalling €32 million.

On 14 October 2021, FinecoBank successfully completed the placement of its first market issue of Senior Preferred instruments, intended for qualified investors, for a nominal amount of €500 million and a 0.50% coupon for the first 5 years, with a spread equal to the 5 year-Mid Swap rate + 70 basis points compared to an initial guidance of 5 year-Mid Swap rate + 100 basis points. The placement was made with a view to meeting the fully loaded MREL requirement on total exposure for the purpose of calculating the currently required FinecoBank Group Leverage Ratio from 1 January 2024.

In assessing the significant items in the financial statements as at 31.12.2021, the Directors note that they have considered all relevant factors, including the continuation of the COVID-19 pandemic and its effects on the real economy. Added to this is the ongoing conflict between Russia and Ukraine, which has triggered an international crisis the outcome of which is currently unpredictable.

As at 31 December 2021, there was no significant impact from the crisis triggered by the COVID-19 pandemic in terms of deterioration of the Group's portfolio of loans with ordinary customers. This portfolio mainly comprises loans secured by real estate and financial collateral, which are granted by the parent company to retail customers as part of a careful and prudent lending policy.

The pandemic and consequent economic and financial crisis have not harmed Fineco’s and the Group’s overall liquidity, which remains solid and stable. Despite the pandemic continuing, in FY2021 all liquidity adequacy indicators and analyses were comfortably within the regulatory and internally-established limits. Lastly, Fineco did not face any impediments or deterioration in the conditions for accessing the markets and completing the relevant transactions.

On 15 September 2021, the European Central Bank notified its intention to take a decision on FinecoBank's classification as a significant entity, effective 1 January 2022. This decision is justified by Fineco exceeding the threshold of significance in terms of size as of 31 December 2020, of €30 billion pursuant the aforementioned Regulation 468/2014 (MVU). Accordingly, in 2022 the annual Supervisory Review and Evaluation Process (SREP) and the Comprehensive Assessment, if any, will be carried out by a Joint Supervisory Team (JST), composed of analysts from the ECB's Specialised Institutions & LSIs department and from Bank of Italy’s Supervisory Service 1.

Report of the Board of Statutory Auditors

3. Other events during the period

The proceedings initiated in April 2021 by the Italian Antitrust Authority ("AGCM") against FinecoBank S.p.A., in relation to the notified change in the clause for withdrawing from the current account due to inactivity – adopted by sending all account holders a letter on 18 March 2021 with the subject "Proposal for unilateral amendment of the contract pursuant to article 118 of Legislative Decree no. 385/93 (Consolidated Banking Act)" – were completed on 16 November 2021 with no finding of infringement pursuant to article 27, paragraph 7 of the "Consumer Code". In the same measure, the Authority also announced that the commitments proposed by the Bank had been established as compulsory, as they were considered suitable for eliminating any possible unfairness in the commercial practice under investigation.

During FY2021, the Bank was the subject of inspections by the Bank of Italy, aimed at assessing compliance with regulations on the transparency of banking transactions and services and fairness in customer relations. The inspection was completed on 16 July 2021 and the inspection report, with a summary rating in the positive range, was delivered on 9 November 2021. The action plan to incorporate the Authority's comments is due to be completed by 30 June 2022.

During the third quarter of 2021, as part of CONSOB's plans for routine audits on intermediaries, an audit was launched at the Bank on procedures for the provision of investment services and on adjustments to MIFID II regulations.

During 2021, FinecoBank made purchases on the secondary market of Tax Credits pursuant to Article 121 of Law Decree 34/2020, for a balance sheet amount of €328,560 thousand as at 31 December 2021. At the end of fiscal year 2021 and in the first days of 2022, some of these receivables, amounting to €39,132 thousand, recorded in the financial statements under the item "Purchased tax credits", were subject to precautionary seizure by the judicial authorities enforcing a seizure order under criminal proceedings that involved third parties. As provided by the recent legislation - Decree Law No. 13 of 25 February 2022, published in the Official Gazette on the same date - Article 3 provides that, in the event that the tax credits referred to in Articles 121 and 122 of Decree Law No. 34 of 2020, converted, with amendments, by Law No. 77 of 2020, cannot be used because they have been seized by the judicial authorities, the term for using the residual portions at the time of the seizure is increased by a period equal to the duration of the seizure.

4. Atypical or unusual transactions

The financial statements, the information received at the Board of Directors' meetings and from the Chairman and the CEO, the management, the Head of Internal Audit and by the Auditing Company did not point to the existence of atypical and/or unusual transactions, including infra-group or related party transactions.

5. Infra-Group and Related-Party Transactions

Infra-group or related-party transactions are highlighted in the Report on Consolidated Operations and in the appropriate section of the Explanatory Notes, with an indication of the assets, liabilities, guarantees and commitments outstanding as of December 31st, 2021, divided by the various types of related parties pursuant to IAS 24.

During 2021, the Fineco Group engaged in transactions with related parties, both Italian and foreign, of lesser importance, falling within the Bank’s ordinary course of business and associated financial activities; such transactions were carried out under standard conditions, hence under the terms normally applied to transactions with unrelated parties.

Report of the Board of Statutory Auditors

In order to ensure constant compliance with the legislative and regulatory provisions currently in force on corporate disclosure regarding transactions with parties in potential conflict of interest, the Board of Directors' meeting of 10 June 2021 approved, with the prior favourable opinions of the Risk and Related Parties Committee and the Board of Statutory Auditors, a new version of the "Global Policy Procedure for the management of transactions with parties in potential conflict of interest of the FinecoBank Group" (the "Global Policy") to comply with the Regulation adopted by Consob resolution no. 17221 of 12 March 2010 as amended by Consob resolution no. 21624 of 10 December 2020. The aforementioned Global Policy was also amended by the Board of Directors at its meeting of 16 December 2021, with effect from 15 January 2022, again with the prior favourable opinions of the Risk and Related Parties Committee and the Board of Statutory Auditors, to comply with the provisions of Article 88 of CRD V.

With reference to the category "Directors, Board of Statutory Auditors and key management personnel", in application of the special regulations provided for by Art. 136 of Legislative Decree 385/93 (TUB), the obligations put in place for persons who carry out administrative, management and control functions pursuant to the aforementioned rule were the subject of a unanimous resolution of the Board of Directors, adopted with the favourable vote of all the members of the Board of Statutory Auditors, according to the procedures and criteria provided for by the aforementioned Art. 136 of the TUB.

The Board of Statutory Auditors, which during the year participated in all the meetings of the Risk and Related Parties Committee which also examined transactions with related parties and associated persons, monitored compliance with the procedural rules adopted by the Bank, as well as compliance with the provisions on transparency and information to the public and verified that, in the Consolidated Report on Operations and in the Notes to the Financial Statements, the Board of Directors had provided adequate information on related party transactions based on current regulations.

6. Supervision of the statutory audit and the independence of the Auditing Company

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 31 March 2022 by the Auditing Company Deloitte & Touche S.p.A. pursuant to art. 14 of Legislative Decree no. 39/2010 and art. 10 of EU regulation 537/2014 on the Financial Statements and the consolidated financial statements of the Group at December 31st, 2021. In particular, these reports:

- express an opinion without findings on the individual and consolidated Financial Statements of FinecoBank at December 31st, 2021, asserting that the financial statements provide a true and fair view of the equity and financial situation, the economic result and the cash flows in accordance with the IFRS adopted by the European Union, as well as the provisions issued in implementation of art. 9 of Legislative Decree 38/2005 and of art. 43 of Legislative Decree 136/2015;
- express a judgment of consistency and compliance, showing that the Report on Operations and the specific information contained in the Report on Corporate Governance and Ownership Structures pursuant to Art. 123-bis, paragraph 4, of the TUF have been prepared in compliance with the law;
- with reference to any significant errors in the Report on Operations, they declare, on the basis of the knowledge and understanding of the company and the related context acquired during the audit, that they have nothing to report;

Report of the Board of Statutory Auditors

- certify that the Financial Statements have been prepared in XHTML format in accordance with the provisions of EU Delegated Regulation 2019/815 and that, in the Independent Auditors' opinion, the Consolidated Financial Statements have been prepared in XHTML format and have been marked in all material respects in accordance with the provisions of the said Delegated Regulation.

On 31 March 2022, the Auditing Company presented the supplementary report to the Board, pursuant to Art. 11 of EU regulation No. 537/2014, which does not reveal significant deficiencies in the internal control system in relation to the financial reporting process deserving to be brought to the attention of those in charge of governance.

Together with the Supplemental Report, the Auditing Company provided the Board with the declaration on independence (art. 6 of the aforementioned EU regulation) which does not reveal any situations that could compromise their independence.

The Board had regular meetings, in compliance with Art. 150, paragraph 3, of the TUF and the instructions in Legislative Decree No. 39/2010, with the Auditing Company, in which they examined the 2021 audit plan, verifying its adequacy, following its execution and promptly exchanging data and information relevant to the performance of their respective tasks, without any particular findings that required notification or facts worthy of censure that required formulating specific reports pursuant to Art. 155, paragraph 2, of the TUF.

The Explanatory Notes to the consolidated accounts and to the parent company's accounts include the disclosure of the external audit fees, as well as the fees for permitted services other than the audit provided in the year ended 31 December 2021, to FinecoBank and the subsidiary by the Auditing Company and by the entities of the network that the Auditing Company belongs to:

These fees (net of VAT and expenses) are shown below in Euro:

- for services provided to Finecobank:

Type of service	Service provider	Fees
Audit	Deloitte & Touche S.p.A.	210,923
Certification services	Deloitte & Touche S.p.A.	258,000
Other services	Deloitte & Touche S.p.A.	10,000
TOTAL	**Euro**	**478,923**

- for services provided to the subsidiary Fineco AM

Type of service	Service provider	Fees
Audit	Deloitte Ireland LLP	15,000
Certification services	Deloitte Ireland LLP	22,500
TOTAL	**Euro**	**37,500**

In the year 2021, Certification Services increased and also covered: (i) professional services for the purpose of issuing the ISAE 3000 Third-Party Reporting Reports (TLTRO III, belonging to the Audit Related services category); (ii) professional services for the issuance of the report on the accuracy of data reported by FinecoBank S.p.A. as a participant in the third round of the ECB's Targeted longer-Term Refinancing Operations III; (iii) professional services for the issuance of a Comfort Letter and a Bring Down Letter as part of the issuance of Senior Preferred Notes.

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 as at 31 March, 30 June and 30 September and the audit of Fineco AM's financial statements as at 30 September each year.

Report of the Board of Statutory Auditors

During 2021, the Board of Statutory Auditors approved in advance the appointment of the auditing firm Deloitte & Touche S.p.A. to carry out the following tasks:

- on 28/04/2021 professional services for the purpose of issuing the ISAE 3000 Third-Party Reporting Reports (TLTRO III, belonging to the Audit Related services category)
- on 11/10/2021 issuance of a Comfort Letter and a Bring Down Letter as part of the issuance of Senior Preferred Notes.

7. Assigning the statutory audit for the period 2022-2030

Upon approval of the Financial Statements of the Company for year ended 31 December 2021 by the Shareholders' Meeting of FinecoBank, which will be called on 28 April 2022, the mandate for the statutory audit of the accounts for the nine-year period 2013 - 2021, assigned to Deloitte & Touche S.p.A. by the same Shareholders' Meeting on 16 April 2013, will expire.

The Shareholders' Meeting of 28 April 2021, having examined the reasoned proposal dated 5 March 2021 of the Board of Statutory Auditors, in its capacity as Internal Control and Audit Committee pursuant to art. 19 of Legislative Decree 39/2010, - issued following a specific selection procedure in accordance with the criteria and procedures set out in art. 16 of European Regulation no. 537/2014 - approved by majority vote the appointment of KPMG S.p.A. to carry out the statutory audit of the accounts for the 2022-2030 period, determining its fees, as shown in the duly reasoned Proposal of the Board of Statutory Auditors.

On 7 March 2022, the Board of Statutory Auditors met with the auditing firm KPMG, which made initial contact with the CFO unit regarding issues that will also be addressed in the current financial year.

8. Supervisory activity 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 Nominated Official 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 Nominated Officer who, together with the Chief Executive Officer and General Manager, in the periodic reporting on the same and, finally, in the "Report on the internal control system on financial reporting in compliance with Law no. 262/2005", approved by the Board of Directors on 9 February 2022, certifies its adequacy on the basis of the tests of effective application of the controls, in relation to the characteristics of 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 as at 31 December 2021.

The Nominated Official, 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;
- are suitable to provide a true and fair view of the financial position and performance of the issuer and, as to the Consolidated Accounts, the group of companies included in the scope of consolidation.

Report of the Board of Statutory Auditors

On 7 March 2022, the Board of Statutory Auditors met with the auditing firm KPMG, which made initial contact with the CFO unit regarding issues that will also be addressed in the current financial year.

During the meetings with the Board of Statutory Auditors, the Nominated Official 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 Nominated Official 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 Control 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 control system regarding the financial reporting process.

The Board supervised the preparation of the Company's Financial Statements and the Consolidated Financial Statements at 31 December 2021, in compliance with the accounting standards issued by the International Accounting Standards Board (IASB), including the related SIC and IFRIC interpretative documents, approved by the European Commission, as provided for by European Union Regulation No. 1606/2002 of 19 July 2002 as amended, and applicable to the financial statements for the years starting from 1 January 2021.

In compliance with Directive 2004/109/EC (the " Transparency Directive") and Delegated Regulation (EU) 2019/815 as well as Regulation (EU) 2021/337 of the European Parliament and of the Council of 16 February 2021, as amended, using the extension approved by the European Parliament and the Council of the European Union of the entry into force of Regulation 815/2019 - transposed into Italian law by Law no. 21/2021 converting, with amendments, Decree-Law no. 183 of 31 December 2020, published in the Official Gazette, General Series, no. 51 of 1 March 2021, FinecoBank has taken steps to apply the provisions of Delegated Regulation (EU) 2019/815 of the Commission, of 17 December 2018 to the financial reports for the financial years started on or after 1 January 2021.

At its meeting of 15 March 2022, the Board of Directors of FinecoBank approved the taxonomy to be used for marking the financial statements of the 2021 Consolidated Accounts, which are an integral part of FinecoBank's Annual Financial Report, and the XHTML version of the same Annual Financial Report, which, therefore, will be published in the XHTML language on the basis of the ESEF single electronic communication format approved by ESMA, on Fineco's website (https://www.finecobank.com), in order to comply with the disclosure requirements of Directive 2004/109/EC (the Transparency Directive). Please note that the Group's Annual Financial Report includes both the consolidated financial statements and the separate financial statements of the Parent Company FinecoBank.

In the light of the evidence found and the information provided by the Nominated Official, 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.

9. Consolidated Non-financial Statement pursuant to Legislative Decree No. 254/2016 (NFS)

Pursuant to Legislative Decree 254/2016, Fineco has prepared the "Consolidated non-financial statement of the FinecoBank Group" (hereinafter also only “NFS" or "Report") for the financial year 2021.

The Report approved by the Board of Directors on 15 March 2022 has been prepared in accordance with Articles 3 and 4 of Legislative Decree 254/2016 and constitutes a separate report from the Consolidated Report on Operations, in accordance with the option under Article 5(3)(b) of Legislative Decree 254/2016.

Said Report is available on FinecoBank's website (https://www.finecobank.com).

Report of the Board of Statutory Auditors

The purpose of the NFS is to give a fair view of the Group's activities, trends, results, and impacts in 2021 with respect to the main sustainability issues (reporting period: 1 January to 31 December 2021).
In line with the previous year, the Report has been prepared in accordance with the GRI Standards: the Core Option and "Financial Services Sector Disclosures", as defined by GRI, have been taken into account. 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 2021 Consolidated Financial Statements, namely FinecoBank S.p.A. and the Irish-based subsidiary Fineco Asset Management DAC. For 2021, it expressly refers to EU Regulation 2088/2019.

The definition of the NFS content and the related reporting indicators were selected from the results of the materiality analysis, as updated during 2020 and confirmed for the 2021 reporting. Accordingly, there were no changes in the reporting topics described compared to the previous year.

Since 2021, the reporting process has been governed by the Global Operational Regulation FB 026_2021 "Preparation and publication of the FinecoBank Group's Consolidated Non-Financial Statement" and, unlike in previous years, it made use of the new platform "Impact" dedicated to the collection of data and information. This tool provides, for each reporting area, the assignment of specific roles within each of the Bank's units involved based on their responsibilities (data owner, data reviewer, data approver) in order to ensure the relevant internal controls and, through the different functions, it has made the reporting process more efficient, faster and more collaborative, allowing for a reduction in the operational risks arising from the manual processing of data.

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).

In accordance with Art. 3, paragraph 10, of Legislative Decree No. 254/2016, the verification of compliance of the information provided with the relating regulations and reporting standards adopted is the responsibility of the auditors, with a specific report, distinct from that of Art. 14 of Legislative Decree No. 39/2010.

The NFS as at 31.12.2021 has undergone a “limited assurance engagement” (as defined by ISAE 3000 Revised) by Deloitte & Touche S.p.A., which in a separate report has certified the information presented in accordance with Art. 3(10) of Legislative Decree 254/16.

The Board of Statutory Auditors met with the Independent Auditors for a preliminary indication of the audit method adopted and also took note of the "Report of the Independent Auditors on the Consolidated Non-Financial Statement" (Report) for the financial year ended on 31 December 2021, issued on 31.03.2022, in which the Independent Auditors, after expressly indicating the procedures carried out, concluded by stating that no evidence had come to its attention suggesting that the FinecoBank Group's NFS for the financial year ended on 31 December 2021 had not been prepared, in all material respects, in accordance with the requirements of Articles 3 and 4 of the Decree and the GRI Standards (Global Reporting Initiative).

The approval by the Board of Directors at its meeting on 15 March 2022 was preceded by the review and assessment of the Corporate Governance and Environmental and Social Sustainability Committee and the Risk and Related Parties Committee at their joint meeting on 23 February 2022.

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As a further communication and transparency tool, in 2021 FinecoBank also approved the "Environmental Statement pursuant to EMAS Regulation no. 1221/2009/EC", following a review and assessment by the Corporate Governance and Environmental and Social Sustainability Committee.

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.

10.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 undertaking, 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.

Considering the functions and units involved, the Internal Control System of FinecoBank 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) as well as other company functions with specific internal control duties;
- procedures for the coordination of entities involved in the internal control and risk management system;
- 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 Corporate Bodies and the Bank's control functions.

The Parent Company FinecoBank defines the appropriate control and monitoring measures of the subsidiary Fineco AM, ensuring the implementation of the internal control system is aligned at Group level, where possible, in consideration of the specificities of the business carried out by the Irish subsidiary.

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.

The Board of Statutory Auditors acquired information, held meetings with the corporate functions and supervised the functioning and adequacy of the internal control system.

In implementation of the provisions of the Bank of Italy Circular No. 285/2013 and subsequent updates, the Bank has adopted the "Document of the Bodies and Functions with Control Tasks" which defines the Internal Control System of the Bank with the analytical identification of the tasks and responsibilities of the Corporate bodies and control functions, adopted by resolution of the Board of Directors of 13 May 2020 and last updated on 18 January 2022. FinecoBank's Internal Control System complies with the principles of the Corporate Governance Code from 2021, the applicable sector regulations and best practices.

As regards responsibilities, the Corporate Bodies Regulations establish that the Board is responsible for the Internal Control and Risk System, providing guidance and assessing the adequacy of the system. It also identifies the following from within the Board:
- a director in charge of establishing and maintaining an effective internal control and risk management system;
- an internal Committee - called the "Risks and Related Parties Committee" - composed exclusively of independent directors, with the task of supporting, with adequate preliminary activity, the assessments and decisions of the Board of Directors relating to the Internal Control and Management System Risks, as well as those relating to the approval of periodic financial reports. The Board of Statutory Auditors attended all the meetings of this Committee.

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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 structure was defined for the subsidiary Fineco AM which, as of June 2020, had its own Head of Internal Audit.

Internal Audit

The Board acknowledges that the quarterly reports and the annual report prepared for 2021 by Internal Audit for its own assessment of the Internal Control 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 31.12.2021, submitted to the Board of Directors on 15 March 2022, provides an overview of the Bank's internal control 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 and on the assessment of the internal control system expressed by the local manager of the function.

The Internal Control System of FinecoBank S.p.A. has been assessed by Internal Audits mostly satisfactory, considering the results of the audits carried out in 2021, 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".

With regard to FinecoBank S.p.A., the Annual Audit Plan for the year 2021, approved by the Board of Directors' meeting of 19 January 2021, envisaged the performance of 13 audits on processes, 3 mandatory annual reports and 400 audits on the network of Personal Financial Advisors (PFA).

During the year, all the audits envisaged in the plan and one unplanned audit (OSI Bank of Italy Transparency: verifying corrective actions implementation) were carried out.

With regard to mandatory annual reports, the following were issued:
- the report on audit activities carried out in 2020 on investment services, as per Article 24 of Delegated Regulation EU 565/2017;
- the report required by the Bank of Italy concerning the results of the 2020 controls carried out on outsourced significant operational or control functions, on deficiencies found and the consequent corrective actions taken;
- the report on internal audit activities carried out in 2021.

All activities under the quality assurance and improvement programme were also completed during 2021.

In relation to the Covid-19 emergency, the entire Internal Audit function continued to work remotely, in line with the guidance provided by the HR function. During the year, this working mode had no significant impact on the execution of the approved Audit Plan; with regard to audit activities on the PFA network, no on-site audits were carried out, which were postponed until the end of the emergency.

At its meeting on 9 November 2021, the Board of Directors approved the Audit Plan Guidelines for the year 2022.

At the Board of Directors' meeting on 18 January 2022, the following were approved: i) Annual Internal Audit and Quality Assurance Review Plans 2022; (ii) Strategic Plan covering the years 2022 - 2026; drawn up on the basis of the mentioned Guidelines, the updated results of the Risk Assessment process carried out on all the activities and processes performed by FinecoBank, the regulatory obligations in force and the follow up on previous audits issued with a negative assessment.

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In the course of 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.

The Board has also taken note of the "Report on FinecoBank's internal audit activity referred to in the Consob Manual of the disclosure obligations of the supervised subjects", prepared by Internal Audit on the basis of its activities carried out in 2021 in the area of investment, presented to the Risks and Related Parties Committee and in the meeting of 9 March 2022 and subsequently to the Board of Directors.

The Board of Statutory Auditors examined the Audit Reports published by Internal Audit in 2021 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; the Internal Audit function was also requested to assess, in the course of 2022, whether additional audits on certain processes should be added.

As at 31.12.2021, the staff of the Internal Audit Function - reclassified as Department from 2021 - was composed of 22 persons; compared to the sizing target defined following the re-internalisation of the function, which took place in 2019 on the exit from the UniCredit Group, 1 members of staff remain to be identified for process audit activities; the recruitment activity continues to fill the gap during 2022.

Risk Management

During 2021, the Board periodically met with the Chief Risk Officer 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.

On 15 March 2022, the CRO function, in accordance with the provisions of prudential supervision, presented to the Board of Directors the "Annual Report on the Group's risk exposures as at 31 December 2021" which, within the synoptic framework of the Risk Appetite and Recovery Plan, does not show any exceeding of the tolerance thresholds, with almost all the indicators above the 2021 risk targets.

In terms of capital ratios and Financial Leverage, FinecoBank was well above the regulatory thresholds at the end of 2021.

The monitoring of liquidity risk did not reveal any critical issues; the Bank's Liquidity Coverage Ratio is high and well above regulatory limits.

With regard to market risks, VaR limits were monitored on a daily basis during 2021 and no breaches were recorded.

The Report details the activities carried out by the function during 2021. Among others, analyses were carried out of best practices and of the regulatory framework for the integration of environmental, social and governance (ESG) sustainability principles into the Group's risk management framework through the development of new indicators to monitor the areas considered most at risk (credit and reputational risks). Among the specific extraordinary commitments for 2021, the function indicates the activities carried out with regard to the bond issue

As required by the Global Policy Framework of Integrated Controls and Risks, approved by the Board of Directors in November 2020 and in accordance with regulatory requirements, Risk Management assesses the robustness and effectiveness of the stress testing programme and the need for its updating at least on an annual basis.

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For the year 2021, the overall stress test framework and the programme for conducting the stress tests were developed in full continuity with the framework adopted for the year 2020, thus confirming the appropriateness in terms of methodological robustness of the stress testing programme for the tests conducted during the year.

During the year, in order to bring the framework into line with the new regulatory requirements and best market practices that place increasing emphasis on ESG and reputational issues, the Group further enhanced its stress testing programme by defining specific tests on these issues.

In December 2021, FinecoBank approved - in accordance with Bank of Italy regulations - the document "Group Risk Appetite 2022", which was defined in line with the Global Policy "Risk Appetite Framework" approved by the Board of Directors in March 2021. The FinecoBank Group's Risk Appetite 2022 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, the values of which have been appropriately revised in consideration of the business model, the budget process, the Strategic Plan and the composition of FinecoBank's portfolio. One of the main changes is the introduction of MREL measures.

The Chief Risk Officer (CRO) Department - an organisational structure that was modified on 1 January 2021 - consists of 19 employees (17.67 Full Time Equivalent). It is organised internally into five teams reporting to the Chief Risk Officer; of which three 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 which are cutting across the various risk profiles.

The Board of Statutory Auditors monitors, with the utmost attention and on a regular basis, the department's ordinary and extraordinary activities, also in light of the critical issues arising from the Russia-Ukraine conflict and its effects on the financial market.

Compliance

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 highlighted and the results of the second level controls carried out.

It also took note of the "Report on the 2021 activities of the Compliance function", discussed at the Risk Committee meeting on 9 March 2022 and then brought to the attention of the Board of Directors on 15 March 2022, which is divided into four sections: (1) Organisational model and human resources of Compliance; (2) Activities carried out and results achieved; (3) Identification and assessment of primary non-compliance risks; (4) Specialist controls as per Bank of Italy Circular No. 285.

In 2021, the assessment of the primary risks of non-compliance subject to the direct supervision of the Compliance function, carried out taking into account the results of second-level controls, the findings formulated by Internal Audit and the supervisory authorities, did not identify any regulatory area with a risk level higher than "Critical"[46].

In 2021, also contributing to the implementation of the plan to strengthen the Compliance Function in accordance with the Bank of Italy's indications following the transparency inspection, an overall assessment of the Compliance Function was conducted in collaboration with Organisation and HR. The assessment was carried out on the basis of the applicable regulatory framework consisting of Bank of Italy Circular No. 285 of 17 December 2013 as updated, the ESMA Guidelines on certain aspects of MiFID II requirements relating to the compliance monitoring function of 6 April 2021, and the new Standard ISO 37301 - "Compliance management systems - Requirements with guidance for use", of 13 April 2021, which emphasises the objectives of integrity, culture, compliance, ethical values and reputation.

As a result of the analyses carried out, by resolution of 3 August 2021, the Board of Directors approved - with effect from 1 January 2022 - the revision of some of the responsibilities/roles within the Compliance

[46] Compliance risk is assessed according to the following scale of values, in ascending order: 'limited', 'medium', 'significant' and 'critical'.

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Department with the aim of better structuring the Department's span of control and encouraging the units' focus, by identifying the vertical supervision of specific areas.

The above-mentioned reorganisation involves the following organisational steps:

a) transfer, reporting directly to the Head of Department of the Investment services team and the Banking Services & General rules team, renaming the latter to Transparency & Customer Protection. Both units have been transformed from a Team to a Unit and are responsible for advisory activities within their respective area of responsibility;

b) creation of the new Ethics & Compliance Culture Unit, with responsibility for overseeing the following matters: (i) Anti-bribery, (ii) Administrative Liability of the Company (Legislative Decree 231/01), (iii) Whistleblowing, (iv) Conflict of Interest Management, (v) Compliance Opinions on Governance. In addition, the new Unit is responsible for coordinating the activities for the preparation and monitoring of Compliance Plans and the activities for the preparation of reporting flows to other corporate control functions (FAC) and corporate bodies; finally, it oversees the secretarial offices of the Risk and Related Parties Committee, the Supervisory Board pursuant to Legislative Decree 231/01 and the Products Committee;

c) creation of the new DPO, Outsourcing & ICT Compliance Unit, reporting directly to the Head of the Department, as a dedicated control for the issues of personal data protection, outsourcing and ICT Compliance, with transfer of the position of Data Protection Officer (DPO) from the Head of the Compliance Function to the Head of the Unit.

In March 2022, the 2022 Compliance Plan was approved, which sets out the annual programme of Compliance activities defined on the basis of the main risks to which the company is exposed, with planning of the relevant management actions.

As regards the staffing of the function, which amounted to 39 persons at the end of 2021, in implementation of the plan to strengthen the Compliance Function, research, selection and onboarding activities are being finalised for the employees needed to complete the target staffing of 44. At the end of February 2022, the function had 41 employees.

Data Protection Officer

The FinecoBank Data Protection Officer (DPO) prepared the "The FinecoBank S.p.A. Data Protection Officer's Report - Year 2021", presented to the Board of Directors on 15 March 2022, after examination by the Risk and Related Parties Committee, and to the Board of Statutory Auditors, which describes, by macro areas, the matters brought to the DPO's attention by the Bank's units, the initiatives undertaken to protect personal data and manage the risk of breach, the ascertained malfunctions and the related corrective actions adopted, as well as the training of personnel, in compliance with the General Data Protection Regulation (GDPR) requirements.

In December 2021, the Board of Directors approved a new organisational and functional configuration that provides, among other things, for the establishment, as of 1 January 2022, of the "DPO Outsourcing and ICT Compliance" Unit with simultaneous assignment of the Data Protection Officer role to a new employee recruited for such purpose.

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Anti-Money Laundering

With effect from 1 January 2021, the Board of Directors appointed a new Head of the Function, reclassified as Department as of July 2020, transferring the responsibility from the Head of the Compliance Department to the Head of the Anti-Money Laundering and Anti-Terrorism Service; at the same time, the new Anti-Money Laundering Function unit was created, with the Anti-Money Laundering and Anti-Terrorism and Suspicious Transaction Reporting Teams reporting to it. The Head of the Anti-Money Laundering Function reports to the Head of the Compliance Department. This change has allowed for greater focus on specific second-level controls.

The Annual Report as at 31 December 2021, including the self-assessment, is currently being prepared, while the information report for the second half of 2021 was submitted to the Board of Directors on 15 March 2022.

The 2021 half-yearly information reports on the company's anti-money laundering and terrorism controls, submitted to the Board of Directors, after having been examined by the Risk and Related Parties Committee, describe the trend in the management of money laundering and terrorist financing risks; they also certify that all second level controls planned in each half-year period have been carried out.

As at 31 December 2021, the workforce comprised 15 persons (+ 1 compared to the previous half-year) broken down as follows: 4 assigned to the SOS Unit, 10 to the AML Service and 1 Head of Function.

Two compulsory training courses on AML (issued in October for the financial advisor network and in November for employees) and on Financial Sanctions (issued in August for both employees and PFAs) were held during 2021, with the following participation rates at the end of 2021: over 96% of employees and over 97% of PFAs.

In 2021, no inspections were initiated, no findings were formulated and no communications on AML/FS were received from the Bank of Italy.

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 2021" 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 2021 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, the adequacy of the procedures and organisational solutions are carried out by the Compliance function.

During 2021, complaints received by FinecoBank decreased by 21.05% compared to complaints received in 2020.

Almost all (99.89%) of the complaints handled during the period were closed within the prescribed time limits.

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.

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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 ‘2021 Report on the internal system for reporting breaches (so-called Whistleblowing)’, presented to the Board of Directors on 15 March 2022, after examination by the Risks and Related Parties Committee, and to the Board of Statutory Auditors.

The Report summarises the information concerning the 4 Whistleblowing reports received by FinecoBank in 2021 (compared to 5 received in 2020; -20%). Of the four reports, three were anonymous and one report was closed because it did not contain sufficient information to initiate an investigation.

The first three reports received were closed during the year, while the last one, which arrived in September 2021, was closed in early 2022.

None of the reports examined led to the discovery of offences and/or irregularities and therefore to the adoption of disciplinary measures and/or corrective action in respect of company procedures.

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, 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 31.12.2022.

In 2021, 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 11 October 2021, the Board received confirmation that the activity planned for 2021 had been performed and, in turn, provided information on the main areas covered by its control activity.

The bodies then agreed on the desirability of regular meetings for alignment and exchange of view on the most relevant issues and points of common interest, while respecting their respective roles and responsibilities.

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 2021” The Report was submitted to the Board of Directors on 9 February 2022.

No breaches of the relevant legislation were found as a result of the activities carried out by the SB.

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On the basis of the documentation examined, the information received, and the checks carried out in the course of its supervisory activity, the Board of Statutory Auditors, while recalling the existence of some corrective measures and implementations in progress, considers the Internal Control System as adequate overall.

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FinecoBank has recently established a Control Functions Coordination Committee, whose Regulation was approved by the Board of Directors at its meeting on 18 January 2022, and whose members include: the Head of the Internal Audit Department, the Head of the Compliance Department, the Head of the Anti-Money Laundering Function, the DPO, the CRO and the CFO. The Committee is responsible for ensuring the integration and coordination among the Control Functions in order to coordinate the risk mitigation measures identified by the functions and improve the Bank's Internal Control System.

11.Supervisory activity on the adequacy of the Organisational Structure

The Board of Statutory auditors assessed the adequacy of the organisational structure and its proper functioning through various meetings with top management and with the heads of the various areas and functions. Such monitoring activity did not discover any significant organisational deficiencies.

In particular, during 2021 and in the first months of 2022, the Board of Statutory Auditors monitored, and found the effectiveness of, the organisational changes made within the CLO Department, to which the activity covering the entire credit process was transferred, and, within the Compliance Function, the creation and proper functioning of the Anti-Money Laundering Unit, with a specific Head.

In addition, with effect from 1 February 2021, the Head of the Network PFA & Private Banking Department was appointed Deputy General Manager, while also retaining his position as Head of the Network PFA & Private Banking Department.

Finally, in December 2021, the Board of Directors resolved, effective 1 January 2022, to reorganise the Compliance Department in order to qualitatively and quantitatively strengthen the Regulatory Compliance Function, with an improved definition of roles, through the identification of vertical controls on specific areas (for example, in the banking transparency and customer protection area, and in the DPO, Outsourcing and ICT compliance areas). Effective the same date, it was also decided to rename the organisational units within the Human Resources Department, for greater consistency with the current environment and to highlight the central role of people.

The Bank's Internal Regulations – whose most up-to-date version was approved by the Board of Directors on 15 March 2022 – describe the organisational model and the structure it consists of (bodies, departments and teams).

In 2021, the Bank almost completed the Insourcing Plan defined following the exit from the UniCredit group, finalising the consequent adaptation of internal, operational and control procedures and processes.

It should be noted that since July 2017, the Bank has been under the cooperative compliance regime established by Legislative Decree No. 128/2015, which taxpayers equipped with a tax risk detection, measurement and control system can join.

In January 2021, the “Less Significant Institution LSI High Priority” classification was communicated by the Bank of Italy also for 2021. With effect from 1 January 2022, direct responsibility for FinecoBank as a Significant Institution has been assigned to the ECB.

On the basis of the documentation examined and the information received in carrying out the supervisory activities, in the presence of an organisation chart and the related company regulations that detail the roles and responsibilities of the organisational structures, having verified the correct exercise of the system of powers issued by the Board of Directors and the definition, application and monitoring of precise company regulations aimed at carrying out the activities of each function of FinecoBank, as well as the implementations already put in place or ongoing, the Board of Statutory Auditors assessed the overall organisational structure of the Bank as adequate.

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12.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.

13. Business Continuity Plan – Group Recovery Plan

The Board 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.

The Board of Directors’ meeting held on 11 May 2021 approved the "Group Recovery Plan 2021" The plan appears to be integrated into the governance, the risk management and control policies and processes, and is based on the Group’s reference framework, which mainly consists of (i) the business model, (ii) the strategic plan, (iii) the governance framework and the risk appetite framework.

The Plan develops several crisis scenarios, divided into systemic, idiosyncratic and combined with the identification of vulnerability areas, potential sources of risk and impact, including reputational risk, and provides for the adoption of preparatory measures, regulating some organisational support actions and the communication plan towards those involved in different respects.

The Plan, which incorporates the areas for improvement identified by the Bank of Italy in light of domestic and EU regulations and of the technical guidance provided by the EBA, highlights in a feasible and tangible manner the FinecoBank Group's ability to respond to financial stress scenarios and to maintain or restore its financial position and economic sustainability.

On 09 November 2021, the Board of Directors approved the new Disaster Recovery Plan ("DRP" or "Plan"). The purpose of the DRP, as an integral part of FinecoBank's Business Continuity Plan, is to define the technical and organisational measures to be implemented in the event of natural events/incidents as a result of which the Bank’s technological infrastructures within the Data Centres become wholly or partly unavailable, in order to support the critical business processes covered by the Business Continuity Plan. The business continuity plan was verified with specific test sessions, to ensure its effectiveness and adequacy, adapted to the ongoing pandemic emergency situations.

14. Remuneration policies

During 2021, 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 2021 Remuneration Policy approved by the Shareholders' Meeting on 28 April 2021.

On 15 March 2022, 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 for the year 2022”, 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.

The Report on the Remuneration Policy and Remuneration Paid has been prepared in accordance with the current national and international regulatory framework. It therefore takes into account, by way of example but

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not limited to, the following: the Consolidated Banking Act (Legislative Decree no. 385/1993), the Consolidated Law on Finance (Legislative Decree 58/1998), European Regulations and Directives as transposed into Italian law (e.g. European Directive 828/2017 Shareholder Rights Directive II, EU Directive 36/2013 as amended by EU Directive 878/2019), the Issuers' Regulations issued by Consob with Resolution no. 11971 of 14 May 1999 (Consob) and Bank of Italy Circular no. 285/2013 as updated from time to time.

As required by EU Directive No. 2017/828, the document consists of two separate sections: Section I “Report on the 2022 remuneration policy” and Section II “Annual report on the remuneration paid in 2021”.

Pursuant to Article 123-ter of Legislative Decree no. 58/1998, "Section I - Report on the 2022 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 2021".

The 2022 Remuneration Policy, including the “Annual Report on the remuneration paid in 2021” with the attached “market disclosure pursuant to art. 450 of Regulation (EU) no. 575/2013 and Implementing Regulation (EU) no. 637/2021” and the “2022 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 Board of Statutory Auditors takes note of the report issued by the Internal Audit Function on 11/03/2022, which concludes with the formulation of a "good" opinion, having ascertained the correct fulfilment of the obligations provided for by the relevant legislation, the general compliance of the remuneration policies with the supervisory provisions issued by the Bank of Italy and with the Remuneration Policy defined for 2021 and approved by the Shareholders’ meeting and the sustainability with respect to the Bank's income and capital conditions, the dissemination of the Group 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. During 2021, the internal regulatory framework was updated and was found generally adequate; furthermore, the process of identifying key personnel (Identified Staff), both employees and Personal Financial Advisors, was found to be compliant with external regulations.

The Corporate Control Functions, in particular Compliance and CRO of FinecoBank, 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 consistently 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).

15. Opinions issued in accordance with the law

The Board of Statutory Auditors expresses its observations with regard to: the Internal Audit Report on investment services; the Annual report on the Group's risk exposures; the Annual report "Outsourcing - Controls over significant outsourced operational functions and IT services outsourced or provided by third parties"; the Annual report on the activities of the Compliance function'.

In addition, it expressed its observations, in view of the resolutions pertaining to the Board of Directors, as required by the Code of listed companies in force in 2021 - Art. 6, recommendation 33, letter C) of the Corporate Governance Code.

In addition, the Board of Statutory Auditors issued a detailed and reasoned opinion for each amendment to FinecoBank Group's Global policy for the management of transactions with parties in potential conflict of interest, by virtue of the tasks assigned by Bank of Italy Circular 285/2015 and Consob Regulation no. 17221 of 12 March 2010, as amended.

Report of the Board of Statutory Auditors

16. 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 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 2021 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 15 March 2022, the FinecoBank Board of Directors approved, with reference to 2021, the Report on corporate governance and ownership structures pursuant to Art. 123-bis of the TUF.

On the basis of the information acquired, the Board 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.

17. 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.

The Board of Statutory Auditors found that the corporate governance rules set out in the aforementioned Corporate Governance Code had been correctly implemented.

The Board of Directors in office on the date of this Report was appointed by the Ordinary Shareholders' Meeting of FinecoBank of 28 April 2020. In March 2021, Alessandra Pasini was co-opted as a director, following the resignation of director Andrea Zappia. Fineco thus becomes the first company listed in Italy in the FTSE MIB to have a Board composed mainly of women (six out of a total of eleven members). The Shareholders' Meeting of 28 April 2021 confirmed the appointment of the co-opted director who, like the other directors, will remain in office until the date of the Shareholders' Meeting called to approve the Company's financial statements for the year ending 31 December 2022.

Report of the Board of Statutory Auditors

It should be noted that in accordance with current legislation and the Corporate Governance Code for listed companies, at the meeting of 15 March 2022, 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 financial year 1/1/2021 - 31/12/2021, 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.

In compliance with current regulations for banks on monitoring corporate governance, the Board of Directors has defined the best composition in terms of quality and quantity for properly carrying out the tasks and responsibilities assigned to it by law, regulations on supervision and the Articles of Association.

18. Other activities of the Board of Statutory Auditors

18.1 Management of Inside Information

FinecoBank has drawn up specific regulations to guarantee the correct management of inside information within the Group in accordance with current laws and regulations.

In compliance with current legislation, the Board of Directors, most recently on 15 March 2022, approved the current version of the Code of Conduct on internal dealing to regulate the management, processing and communication of information relating to transactions on FinecoBank shares and listed debt instruments, as well as on derivatives and related financial instruments carried out by relevant persons and persons closely associated with them.

On the same date, the Board of Directors approved the update of the regulations for Personal Transactions involving financial instruments carried out by Relevant Persons - "Personal Account Dealing Global Policy" and "Market Abuse Global Policy " - to ensure Group compliance with the requirements dictated by the legislation on the abuse of inside information, unlawful disclosure of inside information and market manipulation, as well as measures to prevent market abuse.

18.2 Complaints pursuant to Art. 2408 of the Italian Civil Code

During 2021, the Board of Statutory Auditors received, via certified e-mail, a qualified notice from the shareholder by way of complaint pursuant to Article 2408 of the Italian Civil Code for alleged failure to answer a pre-meeting question. The Board, including by making use of FinecoBank's relevant units, carried out the appropriate checks on compliance with external and internal regulations in relation to the content of the complaint. No irregularities attributable to FinecoBank emerged from these checks.

18.3 Details of any initiatives undertaken and related outcomes

During the year, the Board of Statutory Auditors received no complaints.

Report of the Board of Statutory Auditors

19. Significant events after the end of the year
Russia-Ukraine military conflict

On 24 February 2022, Russia began military operations in Ukraine, triggering a military conflict and an international crisis.

On the same day of 24 February, at the end of an extraordinary summit, EU leaders promptly agreed on sanctions against Russia, also covering the financial sector.

On 28 February, the EU adopted new measures, including a ban on transactions with the Russian Central Bank; new sanctions for 26 other persons and one entity.

On 2 March, the EU blocked access to SWIFT for seven Russian banks - Bank Otkritie, Novikombank, Promsvyazbank, Bank Rossiya, Sovcombank, Vnesheconombank (VEB) and VTB Bank - in order to disconnect them from the international financial system and undermine their ability to operate globally. The EU also introduced a ban on (i) investing, participating or otherwise contributing to future projects co-financed by the Russian Direct Investment Fund; (ii) on selling, supplying, transferring or exporting euro banknotes to Russia or to any natural or legal person or entity in Russia.

On 9 March, the EU agreed new measures against Belarus and Russia restricting the provision of specialised financial messaging services (SWIFT) to three Belarusian banks; transactions with the Central Bank of Belarus are forbidden; the listing and provision of services concerning shares of Belarusian state-owned entities on EU trading venues are forbidden; financial flows from Belarus to the EU are significantly limited; the supply of euro-denominated banknotes to Belarus is prohibited.

On 15 March, the EU adopted the fourth package of economic and individual sanctions against Russia in response to Russia's military aggression. The new measures prohibit, among other things, all transactions with certain state-owned enterprises; the provision of credit rating services to any Russian person or entity; new investments in Russia's energy sector.

The EU Council expands the list of persons linked to Russia's industrial and defence base, on whom tighter restrictions are imposed on exports of dual-use goods and goods and technologies that can contribute to the technological strengthening of Russia's defence and security sector. The EU also introduces trade restrictions on steel products and luxury goods and sanctions against 15 other persons and 9 entities.

FinecoBank promptly activated controls mainly with regard to: (i) the obligations to freeze the funds of sanctioned persons and entities; (ii) restrictions on trading in certain securities because they are issued by or linked to sanctioned issuers; (iii) restrictions on financial flows to and from Russia, both in respect of the prohibition of credit exposure towards sanctioned entities and prohibition of accepting deposits from Russian citizens or legal entities residing in Russia, if the total value exceeds €100,000.00. Also in compliance with the obligation to report the implemented restrictions to the relevant authorities, FinecoBank put in place controls to monitor sanctioned financial instruments both by name and by ISIN, as a preliminary check before the freezing of sanctioned assets.

Fineco uses information systems to update the reference information, which is constantly evolving.

In a dedicated meeting, the Board of Statutory Auditors obtained a preliminary indication from the Chief Executive Officer that Fineco, since it had no direct exposure, did not have to freeze any exposure.

The Chief Executive Officer also adequately reported to the Risk and Related Parties Committee in a specific additional meeting and to the Board of Directors’ meeting held on 15 March 2022.

Report of the Board of Statutory Auditors

It was thus confirmed that FinecoBank promptly carried out the checks for a timely and comprehensive implementation of the regulations on sanctions imposed by the EU Authorities in the applicable cases; in addition, it sent to the JST, within the specified deadline, the required Report on the measures adopted with regard to the financial sanctions introduced by the European Council, providing feedback to the Board of Statutory Auditors.

In addition, in view of CONSOB Warning of 18 March 2022 regarding the attention of supervised issuers to the impact of the war in Ukraine on inside information and financial reporting, the Board of Statutory Auditors confirms that FinecoBank, in its financial reporting documents, has paid adequate attention to ESMA Public Statement published on 14 March 2022, specifying that in respect of its investment portfolio, the Group is not directly exposed to the Russian assets affected by the conflict, while its indirect exposures, consisting of guarantees received as part of financing transactions secured by pledge(Lombard loans and credit facilities secured by pledge) are not significant in amount. Fineco AM's products also have limited direct exposure to Russian assets.

With regard to ICT and Cyber risks and to the recommendations to raise attention and adopt all measures to protect ICT assets, addressed to Italian companies that have relations with Ukrainian operators and especially to companies that are strategic for the national interest, including financial institutions, it is expressly stated in the Annual Report documents that Fineco has undertaken a series of initiatives to verify its security and operational readiness position and that further mechanisms have been introduced to deal with the potential impact arising from the contingent situation.

The Board of Statutory Auditors also stressed to the IT function the importance of prudently reinforcing the attention paid to cybersecurity risks, also in light of the recent recommendations issued by the National Cybersecurity Agency, emphasising that it is advisable to put in place adequate and effective organisational and technical safeguards aimed at mitigating this risk, including stronger information flows with the control bodies.

The Board will adequately monitor the evolution of the crisis and its impact on Fineco's assets and outlook.

Pandemic emergency from Covid-19

The Covid-19 health emergency continues in 2022, with the consequent need to continue with the working methods in place as a result of the emergency measures. FinecoBank is very attentive to protecting its human resources and has issued new instructions on how to work remotely. The recommendation to limit the number of people present in the office at the same time and the preference for meetings to be organised using collaboration systems were also confirmed.

SREP requirements

Lastly, it should be noted that, as already disclosed to the Market, following the conclusion of the Supervisory Review and Evaluation Process (SREP) of the Bank of Italy, FinecoBank is required to comply with the following minimum capital requirements as of 31 March 2022: 8.12% in terms of CET1 ratio; 10% in terms of T1 ratio; 12.50% in terms of Total Capital Ratio; As at 31 December 2021, the Group's capital ratios are well above the regulatory minimums: 18.80% CET1 Ratio and 29.63% T1 Ratio and Total Capital Ratio.

20. 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.

The Board of Statutory Auditors confirms that it has taken due note of CONSOB warnings no. 6/20 of 09.04.2020, no. 8/20 of 16.07.2020, no. 9/20 of 30.07.2020, no. 1/21 of 16.02.2021 and no. 4/21 of 15.03.2021 as well as CONSOB communication no. 3/20 of 10.04.2020 in relation to the effects of the COVID-19 pandemic,

Report of the Board of Statutory Auditors

and lastly of CONSOB warning regarding ESMA's public statement on the restrictive measures adopted by the EU in response to Russia's military aggression in Ukraine, and that it has therefore further intensified and strengthened information flows with the board of directors and the various corporate functions.

The Board, again in the context of the aforementioned recommendations, confirms that it has also paid adequate attention to the existence of the assumption of business continuity and the adequacy of the internal control system, noting in this regard no specific critical issues in having carried out checks off site.

Adequate information exchanges also took place with regard to the investee Fineco Asset Management DAC.

20.1 Going concern declaration

By making reference to the clarifications contained in the Financial Statements at 31.12.2021, in assessing the significant financial statement items the Directors note that they have considered all relevant factors, including the continuation of the COVID-19 pandemic and its effects on the real economy. Added to this is the ongoing conflict between Russia and Ukraine, which has triggered an international crisis the outcome of which is currently unpredictable.

While considering this macroeconomic environment, the Directors believe that there are no uncertainties regarding the Group's ability to continue as a going concern in the foreseeable future, nor are there any changes that may result in a material adjustment to the carrying amounts within the next financial year.

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, Fineco’s financial statements and the consolidated financial statements for the year ended on 31 December 2021 have been prepared on a going concern basis.

20.2 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 reports 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; in accordance with the International Accounting Standards Board (IASB), adopted by the European Commission.

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 includes FinecoBank and its direct subsidiaries. For the line-by-line consolidation the following documents were used:

- the draft accounts at December 31, 2021 of FinecoBank S.p.A.;
- the draft accounts at December 31, 2021 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.

With regard to the investment in Hi-MTF Sim S.p.A., the acquisition of which was completed by FinecoBank in July 2021, please note that the Parent Company's financial statements, as well as the consolidated financial statements for 2021, include the effect of the initial recognition of this investment which, in accordance with IAS 28, has been accounted for using the equity method.

Report of the Board of Statutory Auditors

At the same meeting of 15 March 2022, FinecoBank's Board of Directors, in addition to approving the draft Consolidated accounts, also approved the taxonomy to be used for marking the financial statements of the 2021 Consolidated accounts.

The consolidated report on operations also provides information on the performance of the subsidiary.

20.3 Observations regarding the Parent Company's financial statements at 31/12/2021 and their approval as well as the allocation of profit

The financial statements of FinecoBank S.p.A. comprising the balance sheet as at 31.12.2021, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended and the notes to the financial statements are 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 Report on Operations of FinecoBank S.p.A., please refer to the Consolidated Report on Operations, which contains tables and comments on the Bank's results for the year.

The Board of Statutory Auditors has taken note of the content and conclusions of the Report issued by the Independent Auditors; having also taken note of the certifications issued jointly by the Chief Executive Officer and General Manager and by the Nominated Official, the Board of Statutory Auditors does not see, to the extent of its responsibility, any obstacles to the approval of the Company's Financial Statements for the year ended 31 December 2021, which show a profit of € 368,600,823, nor to the profit allocation as proposed by the Board of Directors.

There were no conditions for the Board to exercise the faculty to make proposals to the Shareholders' Meeting pursuant to Art. 153, second paragraph, of the TUF.

Varese, 31.03.2022

The Board of Statutory Auditors of FinecoBank S.p.A

Luisa Marina Pasotti (Chairman)

Massimo Gatto (Standing Auditor)

Giacomo Ramenghi (Standing auditor)

Glossary

Additional Tier 1

Equity instruments in line with the provisions of Regulation (EU) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms, which have the following characteristics:

- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding;
- the instrument is perpetual or has a maturity equal to duration of the entity;
- it maintains within the full discretion of the issuer the possibility to perform a write-up of the nominal value after the occurrence of a capital event that has determined a write-down;
- no provisions that force the issuer to provide for payments (must-pay clauses) following genuine events under the direct control of the parties.

Accelerated book building offering

Procedure through which particularly large shareholdings are sold to institutional investors. This type of transaction is used by majority shareholders to sell share packages or by the company to rapidly obtain capital (for acquisitions or to refinance debt).

Adjusted Leverage Ratio

Adjusted leverage ratio requirement, which takes into account the exclusion of certain central bank exposures from the overall leverage exposure.

AMA (Advanced Measurement Approach)

Applying this methodology, operational risk requirement is obtained using calculation models based on operational loss data and other evaluation elements collected and processed by the Bank. Admittance threshold and specific suitability requirements have been established for the use of the standard and advanced approaches. For the AMA approach the requirements regard the measurement system, as well as the management system.

Assets under management

Investment funds, segregated accounts and insurance products.

Assets Under Custody

Government securities, bonds and shares.

Audit

Audit Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).

Available financial resources (AFR)

AFR are the resources that can be used to safeguard the bank from insolvency. The AFR are an economic measure that consider the potential reserves, hybrid debt instruments, IFRS reserves, goodwill and other intangible assets, treasury shares held and the expected profits.

Bad exposure

Exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether there are any – secured or personal – guarantees covering the exposures).

Banking book

Used in relation to financial instruments, particularly securities, this term identifies the portion of those portfolios intended for "proprietary" activities.

Bail-in

Resolution measures adopted by the competent authorities that can involve the conversion of debt instruments into shares or the reduction in the value of liabilities, imposing losses on certain categories of creditors in accordance with the BRRD.

Basel 2

International agreement on the capital requirements of banks in relation to the risks assumed by them. This agreement has been adopted, at national level, by the respective competent supervisory authorities, including the Bank of Italy. The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.

Glossary

- Pillar 1: while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorisation by the Regulatory Authority;
  - Pillar 2: requires banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar I), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Supervisory Authority's task to examine the ICAAP process, formulate an overall judgement and, where necessary, apply the appropriate corrective measures;
  - Pillar III: introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

Basel 3

International agreement amending Basel 2 adopted in December 2010, containing amendments to the prudential rules on the capital and liquidity of banks, with the gradual entry into force of the new capital requirements from January 1, 2014 until December 31, 2019. These rules have been implemented at European level through the CRD IV “Package”.

Bank Recovery and Resolution Directive or BRRD

Refers to the Directive approved by the European Parliament and the Council, respectively. On April 15 and May 6, 2014, regarding the establishment of a recovery and resolution framework for the crisis affecting credit institutions and investment firms.

Basis point

The bp or basis point represents 0.01% of a particular amount, or one hundredth of a percentage point. 100 basis points are equivalent to 1%.

Best practice

Behaviour commensurate with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

Budget

Statement forecasting the future costs and revenues of a business.

Capital conservation buffer

According to the definition contained in Article 128 of the CRD IV, this is a capital reserve whose establishment is required by the regulations – as also specified in the Supervisory Provisions – aimed at providing banks of a high quality capital buffer to be used in periods of market strain to prevent malfunctions of the banking system and avoid disruptions in the credit granting process, amounting to 2.5% of risk-weighted assets, calculated in accordance with Article 92, sub-section 3, of the CRR on an individual and consolidated basis.

CDS – Credit Default Swap

A derivative in which a seller of protection engages, for a fee, to pay the buyer of protection a fixed amount if a certain event indicating a deterioration of the creditworthiness of a reference entity occurs.

CFO

Chief Financial Officer.

CGU – Cash Generating Unit

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Common Equity Tier 1 or CET 1

The Common Equity Tier 1 under Basel 3, mainly consisting of ordinary paid-up capital, the related share premium, operating profit, reserves and other regulatory adjustments, as provided for by the CRR regulation and the Supervisory Regulations.

Glossary

Clawback clause

Action of repayment of the bonus received when, after its disbursement, intentional or negligent conduct of the employee emerges that, if it had been known at the time of disbursement, would have been sufficient not to satisfy the assessment of compliance, or that disbursement has been made in breach of legal or regulatory provisions.

Corporate

Customer segment consisting of medium to large businesses.

Cost/income ratio

The ratio of operating expenses to operating income. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

Cost of Risk

The ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the averages of the last four quarters, calculated as the average balance at the end of the quarter and the balance at the end of the previous quarter). The scope only includes loans to commercial customers. It is one of the risk indicators of bank assets: the lower the ratio, the less risky the bank assets.

CoR (incentive system)

The ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the balance at period end and the balance at December 31 of the previous year). The scope of the exposures excludes positions deriving from bonds and advances to personal financial advisors.

Countercyclical capital buffer

The countercyclical capital buffer consisting of Common Equity Tier 1 pursuant to Supervisory Regulations, according to the concept contained in Articles 128 and 130 of the CRD IV, equal to the risk weighted assets, calculated in accordance with Article 92, paragraph 3, of the CRR by the Company's countercyclical capital buffer, determined according to the criteria established by the Supervisory Regulations at an amount ranging from 0% to 2.5%.

Covenant

A loan agreement clause whereby the lender is entitled to restructure or call in the loan upon occurrence of the events specified in the clause, which ties changes in the borrower's earnings and financial performance to default events/events modifying the contractual terms and conditions (maturity, interest rates, etc.).

Covered bond

A bond which, in addition to being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, for that purpose, to a specific SPV – Special Purpose Vehicle (q.v.).

Credit Quality – EL

EL%= EL/EAD

Represents the expected loss as a percentage of the exposure in the event of default (EAD) of the performing portfolio.

The perimeter is the customers of the performing portfolio.

Credit quality step

A Step, based on external ratings, which is used to assign risk weights under the standardised approach for credit risk.

Glossary

CRD (Capital Requirements Directives)

EU Directives 2006/48 and 2006/49, adopted by Bank of Italy circular 263/2006 of December 27, 2006 as amended. The CRD IV "Package" has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, adopted by the Bank of Italy circular 285 of December 17, 2013 as amended.

Credit risk

The risk that an unexpected change in the credit rating of a counterparty, the value of the collateral they have provided, or of the amount used in the event of insolvency generates an unexpected change in the lending position of the Bank.

Credit counterparty risk

The risk that the counterparty in a transaction in financial instruments may enter default before settling all the agreed cash flows.

CRM - Credit Risk Mitigation

Credit Risk Mitigation is a set of techniques, ancillary contracts to the loan or other instruments (e.g. securities, guarantees), which reduces credit risk capital requirements.

CRO

Chief Risk Officer.

Default

A party's declared inability to honour its debts and/or the payment of the associated interest.

Direct deposits

Current accounts, repos and time deposits.

EAD – Exposure At Default

Relating to the on-balance and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor's default. Only banks that meet the requirements for adopting the "IRB – Internal Rating Based" advanced approach are allowed to estimate EAD (q.v.). Other banks are required to refer to regulatory estimations.

EBA European Banking Authority

The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector.

ECA

Export Credit Agency.

ECAI

External Credit Assessment Institution.

ECB

European Central Bank. The ECB is the central bank for Europe's single currency, the euro.

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).

Glossary

EPS – Diluted Earnings Per Shares

An indicator of a company's profitability calculated by dividing the net profit by the average total diluted outstanding shares (excluding treasury shares).

EVA (Economic Value Added)

EVA is an indicator of the value created by a company. It shows the firm's ability to create value; calculated as the difference between net profit excluding extraordinary charges and related tax effects (integration costs and net profits from extraordinary investments), and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital absorbed either using the book value of shareholders' equity (average of single end quarters).

Expected Losses

The losses recorded on average over a one year period on each exposure (or pool of exposures).

Fair value

The price at which an asset can be traded or a liability settled in a free-market transaction between independent parties at arm's length.

Forbearance/Forborne exposures

According to the EBA Implementing Technical Standard, forborne exposures are exposures in respect of which forbearance measures have been extended, consisting of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

Funding

Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.

Futures

Standardised contracts through which parties undertake to exchange money, transferable securities or goods at a set price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.

Goodwill

The additional sum paid for the acquisition of an equity interest, equal to the difference between the cost and the corresponding share of net assets, for the portion not attributable to the identifiable assets of the acquired company.

Guided products & services

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

Guided Products & Services/AUM

The ratio of Guided Products & Services (q.v.) to Assets under Management (q.v.).

Guided Products & Services/TFA

The ratio of Guided Products & Services to Total Financial Assets.

HNWI

High Net Worth Individual, i.e. Private customers with TFA of over one million euros.

Glossary

IAS/IFRS

International accounting standards issued by the International Accounting Standard Board (IASB), a private international body established in April 2001, involving representatives of the accounting professions of the principal countries and, as observers, the European Union, IOSCO (International Organization of Securities Commissions) and the Basel Committee. This body is the successor of the International Accounting Standards Committee (IASC), set up in 1973 to promote harmonisation of the rules for the preparation of company accounts. When the IASC became the IASB, it was decided, among other things, to name the new accounting principles "International Financial Reporting Standards" (IFRS). At international level, work is currently underway to harmonise the IAS/IFRS with the US GAAP – United States Generally Accepted Accounting Principles (q.v.).

ICAAP – Internal Capital Adequacy Assessment Process

See "Basel 2 – Pillar 2".

Impairment

Within the framework of the IAS/IFRS (q.v.), this refers to the loss of value of a balance sheet asset, recorded when the book value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset.

Impaired loans

Loans and receivables are reviewed periodically in order to identify those that, following events occurring after initial recognition (at market value, which is, usually, equal to the amount paid including transaction costs and income directly attributable to the disbursement of the credit) show objective evidence of possible impairment. These include a loans to which the status of non-performing, unlikely to pay and past due has been assigned, according to the Bank of Italy rules in line with the IAS/IFRS (q.v.).

Internal Capital

Represents the amount of capital required to cover potential losses and is required to support the business activities and positions held. Internal Capital is the sum of the aggregated Economic Capital and a cushion that considers the effects of the cycle and model risk.

(Internal) validation

Expert unit, internal but sufficiently independent, that verifies the adequacy of internal models for internal and regulatory purposes and issues a formal opinion about their usefulness and effectiveness. Usually a prerequisite for the validation process carried out by the authorities.

Index linked

Policies whose performance at maturity depends on a benchmark parameter that may be a share index, a basket of securities or another indicator.

IRB – Internal Rating Based

Method for determining the capital needed to cover credit risk within the framework of Pillar 1 of Basel 2 (q.v). The rules are applied to the exposures of the banking book. Furthermore, in the IRB methods the risk weightings of the assets are determined on the basis of the bank's own internal evaluations of the debtors (or, in some cases, of the transactions). Using systems based on internal ratings, the banks determine the weighted risk exposure. The IRB methods consist of a basic method and an advanced method, which differ in terms of the risk parameters that the bank must estimate: in the basic method, the banks use their own estimates for “PD – Probability of Default” and the regulatory values for the other risk parameters; in the advanced method, the banks use their own estimates for "PD – Probability of Default ", "LGD – Loss Given Default", "CCF – Credit Conversion Factors" and, where provided for, "M - Maturity" (q.v.). The use of IRB methods for the calculation of capital requirements is subject to authorisation from the Bank of Italy.

IRS – Interest Rate Swap

See "Swap".

Joint venture

Agreement between two or more companies for the conduct of a given economic activity, usually through the constitution of a joint stock company.

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.

Large exposures

The sum of all the exposures towards a counterparty that are equal to or more than 10% of the eligible capital of the Issuer, when: (i) the exposures are the sum of the on-balance-sheet risk assets and the off-balance-sheet operations with a counterparty, as defined by the regulations on credit risk, without applying the weighting factors established therein (these exposures do not include the risk assets deducted in the determination of the Own Funds); (ii) a counterparty is a customer or a group of connected customers.

LCP

Loss Confirmation Period.

LCR - Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is structured in such a way as to ensure that an institution maintains an adequate level of high quality non-restricted liquid assets that can be converted into cash to meet its liquidity needs over a period of 30 calendar days in a particularly acute liquidity stress scenario specified by the supervisory authorities. The LCR is defined as the ratio between the stock of high quality liquid assets and the total cash outflows in the next 30 calendar days.

Leasing

Contract whereby one party (the lessor) conveys the right to use an asset to another party (the lessee) for a given period of time and in exchange for consideration.

LGD – Loss Given Default

Expected value (which may be conditional upon adverse scenarios) of the ratio, expressed as a percentage, between the loss giving rise to the default and the amount of exposure at the time of the default (“EAD - Exposure At Default”, q.v.).

Liquidity risk

The risk of the company being unable to meet its payment commitments due to the inability to liquidate assets or obtain sufficient funding from the market (funding liquidity risk) or due to the difficulty/inability to easily liquidate positions in financial assets without significantly and unfavourably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).

Long and Short Margining

Margining is a trading method that allows investors to buy (long leverage) or sell (short selling) by investing only a part of the liquidity required.

Market risk

Consists of the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the portfolio, when it includes assets held in the trading book, as well as those posted in the banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments.

Master servicing agreement

Type of contract under which two or more parties regulate the key terms of subsequent transactions and/or further agreements to be implemented between them in the future.

Maturity Ladder

Instrument for managing and monitoring short-term liquidity (operational liquidity), which, by offsetting assets and liabilities whose maturity falls within each individual time band, enables the identification of mismatches (periodic and cumulative) between incoming and outgoing cash flows and, therefore, to calculate the net financial requirement (or surplus) over the period of the year.

Glossary

Minimum Requirement for Eligible Liabilities (MREL)

The Minimum Requirement for Eligible Liabilities (MREL) is set by the Resolution Authorities to ensure that a bank maintains at all times sufficient tools to facilitate the implementation of the resolution strategy defined by the Resolution Authority in the event of a crisis. The MREL aims to prevent the resolution of a bank from being dependent on public financial support and, therefore, helps to ensure that shareholders and creditors contribute to loss absorption and recapitalisation.

Model Risk Category

The MRCs have been introduced at the group level in order to characterise the types of operational loss in more detail. They are obtained from the combination of the seven event types established by Basel II with one or more of products offered to customers.

Non-performing exposures

According to the EBA Implementing Technical Standards, non-performing exposures are all on-balance-sheet and off-balance-sheet exposures that satisfy either or both of the following criteria:

- material exposures which are more than 90 days past due/overdrawn;
- exposures for which the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

NSFR - Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is structured to ensure that long-term assets are financed with at least a minimum amount of stable liabilities in relation to their respective liquidity risk profiles. The NSFR is aimed at limiting the excessive use of short-term wholesale deposits in periods of abundant market liquidity and encouraging a better assessment of liquidity risk based on all balance sheet and off-balance sheet items. The NSFR is defined as the ratio between the total available stable funding and the total required stable funding.

NSFR Adjusted

The NSFR Adjusted ratio is based on the regulatory ratio NSFR (Net Stable Funding Ratio) but is adjusted by maturity (i.e. by bucket) considering maturities of more than 3 and 5 years respectively. The NSFR Adjusted is therefore used to monitor and control the structural liquidity situation on maturities over the year. The NSFR is defined as the ratio between the cumulative liabilities over the year and the cumulative assets over the year.

Operational risk

The risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk. For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, customer claims, product distribution, fines and penalties for regulatory breaches, damage to the Company's physical assets, business disruption and system failures, and management of processes.

Option

The right, but not the commitment, acquired by the payment of a premium, to buy (call option) or sell (put option) a financial instrument at a given price (strike price) by or at a determined future date (American option/European option).

OTC – Over The Counter

Over-the-counter (OTC) trading consists of the exchange of financial instruments such as shares, bonds, derivatives or goods directly between two counterparties. The OTC markets do not have standardised contracts or buying/selling procedures and are not associated with a set of rules (admissions, controls, obligations of information, etc.) like those that govern the official markets.

Own funds or Total Capital

The own funds of a bank consist of a series of regulatory defined items (excluding the negative items to be deducted), classified based on capital quality and loss absorbing capacity. From January 1, 2014, after the CRR came into force, Own Funds consists of the sum of Tier 1 capital and Tier 2 capital.

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 meet the requirements set out by local supervisory regulations for their classification under the "past due exposures" category (TSA banks) or “defaulted exposures” (IRB banks).

Payout ratio

The percentage of net income that is distributed to shareholders. The percentage paid out is determined mainly on the basis of the company’s self-financing needs and the return expected by shareholders.

PD – Probability of Default

Default Probability of a counterparty entering into a situation of "default" (q.v.) within a period of one year.

Private banking

Financial services aimed at "high-end" private customers for the global management of financial needs.

RARORAC - Risk adjusted Return on Risk adjusted Capital

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

Rating

Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.

Retail

Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.

Return on asset – R.O.A.

Ratio of net profit after tax to total assets.

Risk Taking Capacity

Ratio between Available Financial Resources and Internal Capital.

Risk-weighted assets

See the item “RWA - Risk-Weighted Assets”.

ROAC – Return on Allocated Capital

An indicator calculated as ratio of net operating profit to the average of the quarters of the year of the allocated capital (calculated with the same methods envisaged for the calculation of the EVA).

ROE

Ratio between net profit and the average shareholders’ equity for the period (excluding dividends and any donations expected to be distributed and the revaluation reserves), calculated as the average of the balance at the end of the period and that of the previous December 31st.

RWA - Risk-Weighted Assets

It is the value of on-balance sheet and off-balance sheet risk-weighted assets on the basis of different weighting factors according to the class in which the exposure is classified and its credit quality, in accordance with the banking regulations issued by the regulatory authorities for the calculation of the solvency ratios.

Glossary

Sensitivity

The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

Sensitivity Analysis

Sensitivity analysis quantifies the change in value of a financial portfolio resulting from an unfavourable change in major risk factors (interest rate, exchange rate, equity).

SME

Small and medium enterprises.

SPV –Special Purpose Vehicle

An entity – partnership, limited company or trust – set up to pursue specific objectives, such as isolating financial risk or obtaining special regulatory or tax treatment for specific portfolios of financial assets. SPV's operations are accordingly limited by a set of rules designed for this purpose. In general the SPVs' sponsors (q.v.) do not hold equity in them. The equity is held by other entities in order to ensure that there is no shareholder relationship with the Sponsor (q.v.). SPVs are usually bankruptcy-remote, in that their assets cannot be claimed by the creditors of the sponsor, even if the latter becomes insolvent.

Swap

A transaction that generally consists of the exchange of financial streams between operators according to different contractual arrangements. In the case of an interest rate swap (IRS), the counterparties exchange payment streams that may or may not be linked to interest rates, calculated on a notional principal amount (for example, counterparty pays a stream on the basis of a fixed rate, while the other does so on the basis of a variable rate). In the case of a currency swap, the counterparties exchange specific amounts in two different currencies, with these amounts being exchanged back in due course according to predefined arrangements that may concern both the capital (notional) and the streams of interest payments.

Tier 1 Capital

Tier 1 capital (tier 1) includes Common Equity Tier 1 - CET1 and Tier 1 additional capital (Additional Tier 1 - AT1).

Tier 1 Capital Ratio

The percentage of a bank's Tier 1 Capital to its risk weighted assets "RWA – Risk Weighted Assets" (q.v.).

Total Financial Assets - TFA

Assets Under Management (q.v.), Assets Under Custody (q.v.) and Direct Deposits (q.v.).

Trading Book

Positions held for trading are those held intentionally for a subsequent sale in the near term and/or assumed with the intention of benefiting, in the short term, from the differences between buying and selling prices, or other price or interest rate interest variations.

UCI – Undertakings for Collective Investment

This term includes "UCITS – Undertakings for Collective Investment in Transferable Securities" (q.v.) and collective investment funds (real estate collective investment funds, closed-end investment funds).

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.

Glossary

Unlikely to pay

On-balance and off-balance sheet exposures that meet the definition of unlikely to pay, which do not meet the conditions to be classified as bad loans. The classification as "unlikely to pay" derives from the assessment of the debtor's unlikeliness (without actions such as realisation of collateral) to repay fully his credit obligation (principal and/or interest). This assessment is made independently of any past due and unpaid amount (or instalment). The classification of an exposure as unlikely to pay is not necessarily tied to evident issues (non-repayment), but is rather linked to indicators of a potential default of the borrower.

VaR – Value at Risk

A method used for quantifying risk. It measures potential future losses which will not be exceeded within a specified period and with a specified probability.

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