Consolidated first half financial report as at June 30, 2021

FINECO. SIMPLIFYING BANKING.

FINECO BANK

FinecoBank S.p.A. Consolidated First Half Financial Reports as at 30 June 2021

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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	Chairwoman
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 Consolidated First Half Financial Report

This Consolidated first half financial report as at June 30, 2021 of FinecoBank Group (hereinafter Group) has been prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree No.58 of February 24, 1998.

In implementation of Legislative Decree no. 38 of February 28, 2005, this **Consolidated Interim Financial Statements**, which has been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission, pursuant to EU Regulation 1606/2002 of July 19, 2002 and applicable to financial reports for the periods starting on January 1, 2021. In particular, it complies with the international accounting standard applicable for interim financial reporting (IAS 34). Based on paragraph 10 of this standard, FinecoBank Banca Fineco S.p.A. (hereinafter FinecoBank or Fineco or Banca or Parent Company) availed itself of the option to draw up the half-year consolidated financial statements in the abbreviated version. It includes:

- the **Consolidated Accounts of the Condensed Interim Financial Statements** comprise the Consolidated Balance Sheet, the Consolidated Income Statement, the Statement of Consolidated Comprehensive Income, the Statement of Changes in Consolidated Shareholders' Equity, the Consolidated Cash Flow Statement, presented with a comparison to the corresponding financial statements of 2020. As envisaged by IAS 34, the balance sheet figures have been compared with those as at December 31, 2020, while the income statement, statement of comprehensive income, statement of changes in shareholders' equity and cash flow statement have been compared with the corresponding figures for the first half of the previous year reported in the Consolidated first half financial report as at June 30, 2020;
- the **Notes to the Consolidated Accounts,** which in addition to the detailed information required by IAS 34, reported using the same tables as in the annual financial statements, the additional information required by Consob, ESMA public statements and those that are deemed useful to provide a true representation of the company situation;

and is accompanied by:

- the **Consolidated Interim Report on Operations**, which includes the condensed accounts, the main results of the various business areas, and comments on the results for the first half 2021, as well as the additional information required by Consob. In support of the comments on the results for the half-year, the condensed Income Statement and Balance Sheet tables are presented and illustrated in the Consolidated Interim Report on Operations, the reconciliation of which with the consolidated Financial Statements is shown in the Attachments, and the Alternative Performance Measures ("APMs") are used, the explanatory description of which regarding the content and, if applicable, the calculation methods used are shown in the Glossary. It should be noted that no new indicators have been introduced in the context of the COVID-19 pandemic, nor have any changes been made to the indicators normally used;
- the **Certification of the Consolidated condensed half-year financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments**.

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

It should be noted that the Consolidated Accounts of the Condensed Interim Financial Statements as at June 30, 2021 were prepared by referring to the instructions on the financial statements of the banks pursuant to Circular 262 of 22, December 2005 "Banking financial statements: schedules and rules compilation" and subsequent updates of the Bank of Italy.

As from 30 June 2021, certain costs related to the activity of personal financial advisors and related to services that are part of the normal banking activity (in particular distribution and management of financial products) are reclassified in item 50. "Commission expenses" from item 190. "Administrative expenses" in order to provide a better representation of both the item "Net interest and other banking income" (renamed "Revenues" in the reclassified income statement) and the item "Operating expenses". For the sake of consistent comparison, the comparative figures shown in the condensed financial statements presented in the Consolidated Interim Report on Operations included in this Consolidated first half financial report as at 30 June 2021 have been reclassified. Conversely, no reclassification has been made to the comparative figures shown in the Schemes presented in the Consolidated Interim Financial Statements included in this Consolidated first half financial report as at 30 June 2021.

Lastly, it should be noted that, starting from 30 June 2021, a change was made to the condensed financial statements presented in the Consolidated Interim Report on Operations. In particular, into the Condensed Income Statement the items "of which Net interest" and "of which Profits from treasury management" have been added to form the new item "Financial margin". "Net interest" includes item 30. "Net interest ", of the consolidated income statement and other financial margins generated by treasury activity, mainly represented by income from securities lending carried out by the Parent Company's treasury, recognised in item 40. "Commission income", in the consolidated income statement. Profits (losses) from treasury management" include 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. "Profits (losses) from sale or repurchase of:" of the consolidated income statement, respectively, in sub-items "a) financial assets measured at amortised cost" and "b) financial assets measured at fair value with impact on comprehensive income". Previously, these gains (losses) were included in the item "Net trading, hedging and fair value gains (losses)" in the reclassified income statement. Other operating charges/income related to the asset management activity carried out by the subsidiary Fineco Asset Management DAC, related to the application of the "Fixed Operating Expenses" model, were reclassified from the item "Other income/charges" to the item "Net commissions", and finally the item "Net interest and other banking income" was renamed "Revenues".

A new item "Purchased tax credits" has been added to the reclassified balance sheet, which includes the carrying amount of purchased tax credits related to the "Cura Italia" and "Rilancio" Decree-Laws.

For consistency of comparison, the comparative figures shown in the reclassified financial statements presented in the Interim Consolidated Management Report included in this Consolidated Half-Year Financial Report at 30 June 2021 have been reclassified. For further details, reference should be made to the "Reconciliation schedules for the preparation of the reclassified consolidated financial statements" in the Annexes.

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 21 July 2021, S&P Global Ratings agency confirmed the rating assigned to Fineco: 'BBB' long-term, with a stable outlook, and A-2 short-term. According to the S&P Global Ratings agency, "Fineco's digitised business model remains a differentiating factor that underpins its strong performance compared to its competitors". FinecoBank's stable outlook, explains S&P Global Ratings, "reflects our view that the bank's innovative business model makes its solvency more resilient than that of traditional commercial banks in Italy, even in the country's still difficult economic conditions".

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.

During the first half of 2021, the progressive recovery of the economy continued, although not homogeneously in individual countries, after the economic contraction triggered by the pandemic crisis, the evolution of which in the near future will be influenced by the speed of the vaccination campaigns and the efficiency of the mechanisms for preventing contagions, also considering the spread of more aggressive variants. Central banks continued to give priority to supporting the recovery and, in this context, the European Central Bank confirmed the very accommodating orientation of its monetary policy.

Despite the difficult economic context, the results achieved in the first half of 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 both the first half of 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 clients' 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.

As at June 30, 2021 Net sales came to € 101,431 million, showing an increase of 10.6% compared to € 91,709 million at the end of 2020. Net sales of "Guided Products & Services" represented 75.0% of the total balance of assets under management, up from 73.6% at 31 December 2020.

During the first half 2021, net sales through the network of Personal Financial Advisors totalled € 5,787 million (+21.8% y/y); net inflows from assets under management amounted to €4,047 million, net inflows from assets under administration to €1,481 million and net direct inflows to €259 million. Inflows from "Guided products & services" amounted to €3,730 million (+119.5% y/y). In June 2021, €344 million were migrated from third-party funds to FAM funds with a view to streamlining the value chain for investing.

In first half 2021, net sales through the network of Personal Financial Advisors totalled € 5,545 million (+35.2% y/y). Total financial assets (direct and indirect) at June 30th, 2021 amounted to € 88,792 million (+11.5% compared with the end of 2020).

The Total Financial Assets. (TFA) related to Private clients, i.e. with assets above € 500,000, totalled € 44,763 million, equals to 44.1% of total TFA of the Group.

During the first half 2021, € 133.6 million in personal loans and € 521.4 million in mortgages were granted, and € 822.1million in current account overdrafts was arranged, with an increase in exposures in current account of € 210.3 million; this has resulted an overall 16.2%[1] aggregate increase in loans receivable with ordinary customers compared to 31 December 2020. Credit quality remains high, with a cost of risk at 7 bps, driven by the principle of offering credit exclusively to existing customers, making use of specialist tools to analyse the bank's vast information base. The cost of risk is structurally contained and fell further thanks also to the effect of new loans, which are mainly secured and low-risk. The ratio between impaired loans and total loans to ordinary customers was 0.1% (0.09% as at December 31, 2020).

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

Summary data

The total number of customers came to 1,403,968, of which 66,277 acquired in the first half of 2021. Customers continue to reward Fineco's transparent approach, high quality and comprehensive range of financial services as represented through the "one-stop solution" concept.

The net profit for the period amounted to € 216.7 million, with an increase of 20.3% on the previous year. It should be noted that the result for the period benefited from the tax realignment of goodwill carried out by FinecoBank, as provided for by article 110 of Legislative Decree 104 of 2020, which resulted in the positive effect in the first half 2021 amounting to € 32 million. Excluding this non-recurring item recognised in the first half of 2021[2], the result for the period would be € 184.6 million, up 2% compared to the profit for the first half of 2020, also excluding non-recurring items[3].

The cost/income ratio amounted to 31.3%, confirming the operating efficiency of the Group and the spread of the company culture on controlling costs.

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 more 6,400 products, including mutual funds and SICAV sub-funds managed by more than 70 leading Italian and international investment firms, insurance and pension products, as well as investment advisory services through a network, as at June 30, 2021, of 2,731 personal financial advisors.

Events during the period

The context following the COVID-19 pandemic

Despite the COVID-19 pandemic continuing, during the first half 2021, the economy continued its gradual recovery, although not homogeneously in individual countries. Nevertheless, the economic outlook remains uncertain, with obstacles lying in wait and unforeseen events in the offing. The speed of the vaccination rollout and the efficiency of social distancing measures are set to play a key role, including with a view to the spread of more aggressive variants.

Nevertheless, governments and central banks are showing great willingness to continue to support the real economy and the markets.

In 2020, the Italian Government (as with other European governments) 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. The programme enables beneficiaries to temporarily suspend their mortgage repayments and to obtain a 50% cut in the compensatory interest accrued on their outstanding debt during the period of the suspension.

The European Central Bank also intervened during 2020 by adopting an extraordinary monetary package to underpin the eurozone's real economy. During the first half of 2021, the Governing Council then renewed its very accommodative monetary policy stance, in particular as follows:

- The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 0.00%, 0.25% and -0.50% respectively.
- The Governing Council will continue to conduct net asset purchases under the pandemic emergency purchase programme (PEPP) with a total envelope of €1,850 billion until at least the end of March 2022 and, in any case, until it judges that the coronavirus crisis phase is over. Purchases will be made flexibly according to market conditions and with a view to preventing a tightening of financing conditions that is inconsistent with countering the downward impact of the pandemic on the projected path of inflation. In addition, the flexibility of purchases over time, across asset classes and among jurisdictions will continue to support the smooth transmission of monetary policy. The Governing Council will continue to reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2023. In any case, the future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.
- Net purchases under the asset purchase programme (APP) will continue at a monthly pace of € 20 billion. The Governing Council continues to expect monthly net asset purchases under the APP to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates. The Governing Council also intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when it starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

[2] No significant change in fair value was recognised in the first half of 2021 with respect to the equity exposure to the Voluntary Fund set up by the Interbank Deposit Protection Fund.
[3] Change in fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Protection Fund in the amount of -1.2 million euros (before tax effect).

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- Finally, the Governing Council will continue to provide ample liquidity through its refinancing operations. In particular, a high volume of funding was achieved through the last operation of the third series of targeted longer-term refinancing operations (TLTRO III). The funding obtained through the TLTRO III plays a crucial role in supporting bank lending to firms and households.

The authorities are currently focusing on the need to contain any financial shock and the consequent pro-cyclical effects that may be seen when the measures to support the real economy come to an end, with businesses facing possible liquidity crises that until then have been mitigated by the extensive support measures such as moratoria and government guarantees. In this context, the monitoring and management of credit risk continue to be the main focus of attention with regard both to the classification of credit exposures and to their consequent assessment. This is in line with the guidance and instructions provided by the international authorities on several occasions throughout 2020, which stressed the importance of credit institutions paying close attention to the management of credit risk during this delicate phase in order to promptly identify all possible signs of impairment of exposures.

Finally, notice should be drawn to the Recommendation adopted by the European Central Bank on 15 December 2020 (Recommendation ECB/2020/62, published in the Official Journal of the European Union on 18 December 2020, repealing Recommendation ECB/2020/35) concerning the dividend distribution and share buy-back policies that should be adopted by credit institutions and supervised groups in an economic environment marked by the COVID-19 crisis. Among other things, this Recommendation highlighted the importance of maintaining a prudent approach to dividend distributions and share buy-back operations aimed at remunerating shareholders. In a press release of 16 December 2020, the Bank of Italy followed the approach taken by the European Central Bank's towards significant banks by issuing its own decision to maintain an extremely prudent approach in order to safeguard banks' capacity to absorb losses and lend to support the economy. In particular, the Bank of Italy recommended that, until 30 September 2021, less significant Italian banks should:

- refrain from allocating or paying dividends, or limit their amount to no more than 15% of the cumulated profit for 2019-20 and not higher than 20 basis points of the CET1 ratio (whichever is lower);
- refrain from allocating or paying provisional dividends on 2021 profits;
- exercise extreme prudence on variable remuneration.

Taking into account the Recommendations of the European Central Bank and the Bank of Italy, issued on 15 December 2020 and 18 December 2020 respectively, relating to dividend policy in the context following the COVID-19 pandemic, FinecoBank's Board of Directors, which met on 9 February 2021, 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 today not to extend beyond September 2021 its recommendation to all banks to limit dividends. Instead, supervisors will resume assessing each bank's capital and dividend plans as part of the regular supervisory process.

The European Central Bank reported that the latest macroeconomic projections confirm the recovery of the economy and signal less uncertainty, which improves the reliability of banks' capital trajectory. Supervisors have reviewed banks' credit risk management practices during the pandemic and therefore consider it appropriate to reinstate the previous prudential practice of discussing the evolution of the capital profile and plans for dividend distributions or share buybacks with each bank in the context of the usual supervisory cycle. However, banks should continue to be prudent in their decisions on dividends and share buybacks, carefully considering the sustainability of their business model. In addition, they should not underestimate the risk that additional losses may later affect the evolution of their capital profile when the support measures expire.

The European Central Bank clarified that the recommendation on dividends remains applicable until 30 September 2021; therefore, the next decisions on dividend payouts should be taken in the fourth quarter of 2021. It also asked banks to adopt a prudent and forward-looking approach to decisions on remuneration policies. In the context of the supervisory review process, the European Central Bank will continue to assess banks' remuneration policies and the potential impact on their ability to maintain a sound capital base.

In this context, 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. In line with the decision taken by the European Central Bank, considering that the latest macroeconomic projections show signs of improvement in the economy, Bank of Italy will return to adopting the criteria for capital assessment and dividend distribution and share repurchase plans by banks as part of the ordinary SREP process. However, less significant banks will need to maintain a prudent approach when deciding on distribution and share repurchase policies, carefully considering the sustainability of their business model. They should also not underestimate the risk that, as the support measures introduced in response to the Covid-19 pandemic expire, further losses may impact their capital trajectories Bank of Italy also recommends that less significant banks continue to adopt a prudent and forward-looking approach to remuneration policies. These will be assessed as part of the SREP process and the impact that such policies may have on the ability to maintain a sound capital base will be taken into account.

Finally, the Bank of Italy has clarified that the previous Recommendation on dividends and remuneration policies remains in force until 30 September 2021: with reference to dividends, the next decisions will therefore have to be taken in the fourth quarter of 2021.

Without prejudice to the ongoing dialogue 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 Banking Group, the Board of Directors of 3 August 2021 resolved to propose to the Shareholders' Meeting the

Summary data

distribution of a unit dividend of Euro 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 €323,246,878.10, drawn from available revenue reserves.

That said, there were no further significant actions by regulators or standard setters during the first half of 2021 as compared to those rolled out during 2020, the guidance for which remains valid.

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, 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, the Group tends not to take risk positions; the positions in the Group's own portfolio consist mainly of equity instruments, debt securities and over the counter derivatives (mainly represented by CFDs and Knock Out Options) traded with customers, as well as financial instruments used for the operational hedging of positions open with customers.

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 and assets.

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. 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.

With reference to the method of staging allocation of the institutional counterparties with which the Group carries out lending activities, it should be noted that from January 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 reference date with the rating recorded at the opening date of the relationship described above. The method, which uses 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, which is explicitly required by the accounting standard, provides an exemption to stage 2 for securities that are investment grade at the reporting date and provides a stage 2 classification for all financial instruments that are 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. For further details, please refer to Part E - Information on risks and related hedging policies of the notes to the accounts.

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.

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In order to calculating expected losses, the Group has developed specific models which draw on conservatively-estimated PD, LGD and 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. To this end, it should be noted that IFRS 9 requires that not only historical and current information be considered, but also macroeconomic forecast information ("Forward Looking" components). In the current crisis context, updating the scenarios underlying the forward-looking components is a particularly complex exercise. The extent of the macroeconomic repercussions due to the suspension of economic and social activities during the spread of the COVID-19 pandemic is still the subject of wide debate, also in view of the extraordinary support initiatives for households and businesses adopted by several European countries that will help mitigate the impacts of the crisis. Expected loss is calculated for institutional counterparties using the credit risk parameters provided by external provider Moody's Analytics. In the absence of any available internal rating systems, proxies are used to calculate expected losses for retail counterparties: clients are differentiated by product type and the PD is substituted by the average default rate taken from the transition matrices used to define loans as non-performing. This approach is based on the assumption that, as long as there are no changes in the creditworthiness of each party, the future credit quality will be in line with the past registered credit quality. To comply with IFRS 9 requirements, parameters resulting from this proxy are corrected using forward-looking information.

To calculate expected loss for performing exposures, the Group used the risk parameters (PD and LGD) current as at 30 June 2021, adjusted through the macroeconomic scenarios provided by external provider Moody's Analytics. These scenarios incorporate forward-looking information updated for the pandemic crisis, in line with the macroeconomic forecasts issued by the European Central Bank. 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 considered the most likely outcome; the positive and adverse scenarios are the best-case and worst-case alternatives, and are weighted at 30% each. The updated macroeconomic scenarios resulted in a positive impact of € 3.1 million in the consolidated income statement for the first half of 2021.

In the first half of 2021, the COVID-19 pandemic did not significantly impact the impairment of the Group's loans receivable with ordinary customers portfolio. This portfolio mainly comprises loans secured by real estate and financial collateral, which are granted to retail customers as part of a careful and prudent lending policy. Mortgage loans, on the other hand, have an average loan-to-value ratio of around 50%, whereas overdraft facilities require collateral to be obtained with margins kept conservative.

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. 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 these notes to the 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 respect, the Bank considered that the changes reasonably estimated to have occurred in the forward-looking data from 31 December 2020 to 30 June 2021 were not sufficient as to significantly affect the positive outcome of the impairment testing carried out as at 31 December 2020. The results confirmed that the goodwill recognised in the financial statements was sustainable, as none of the scenarios used identified the need for any impairment write-downs and, indeed, confirmed that the value in use was well above the carrying amount. The sensitivity analyses 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. To this end, it should be further recalled that, unlike many issuers in the financial sector, the Bank has a market capitalization (amounting to € 8,966 million as at 30 June, 2021) higher than its book net equity. For more information about the impairment testing and the related sensitivity analyses, see Part B – Consolidated Balance Sheet – Section 10 – Intangible assets of the Notes to the consolidated accounts as at 31 December, 2020.

With reference to the real estate owned by the Group, namely one property for business use and one for investment use, no evidence was identified as at 30 June 2021 that would result in the need for any impairment write-downs in accordance with IAS 36, also considering the current context of the COVID-19 pandemic.

With regard to the actuarial gains/losses calculated in accordance with IAS 19, 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 Consolidated Interim Financial Statements at June 30, 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 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 full menu of operations (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 early as 31 March 2021, AUM signalled a further recovery, reaching € 17.9 billion, up from € 16.4 billion as at 31 December 2020, and reached € 20.3 billion as at 30 June 2021, thanks also to net sales in the first half of 2021 of € 3.2 billion.

The continuation of the COVID-19 pandemic and the associated restrictive measures have resulted in negative effects on the real economy. FinecoBank has considered these circumstances when evaluating the significant items in the financial statements, and based on the results of these evaluations, although it is aware of the current uncertainty regarding the expected economic recovery and the long-term impact of the restrictive measures adopted, it believes that there are no uncertainties regarding the Group's ability to continue as a going concern in the foreseeable future, nor 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, due to their nature, the assumptions reasonably assumed may not be confirmed in the actual future scenarios in which the Group will operate. These scenarios could be affected, among others, by the elements of uncertainty arising from the COVID-19 pandemic and the containment measures implemented and that may be implemented in the future to contain contagions, as well as the measures to support the economy, families and businesses, implemented by governments and supported by the monetary policies of central banks.

In making this assessment, the Group also considered the main regulatory indicators, in terms of point data at 30 June 2021, the relative buffers against 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 is there any significant economic or equity impact.

Binding offer to acquire 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.

Summary data

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.

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 totalling €32 million in this Consolidated Half-Year Financial Report, 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 18 years (including 2021) in the amount of €10.2 million;
- expenses arising from the payment of the substitute tax of €2.7 million.

Other events during the period

Finally, it should be noted that during the second quarter of 2021, the Bank was subjected to inspections by the Bank of Italy, aimed at assessing compliance with regulations on the transparency of transactions and of banking services and fairness of customer relations. The inspection ended on 16 July 2021 and the inspection report is expected to be delivered in the last quarter of 2021.

Summary data

Condensed Accounts

Consolidated balance sheet

(Amounts in € thousand)

	Amounts as at		Changes	
ASSETS	06/30/2021	12/31/2020	Amounts	%
Cash and cash balances	1,562,295	1,760,348	(198,053)	-11.3%
Financial assets held for trading	21,393	16,997	4,396	25.9%
Loans and receivables with banks	691,753	780,473	(88,720)	-11.4%
Loans and receivables with customers	5,269,368	4,527,837	741,531	16.4%
Financial investments	24,626,581	23,939,899	686,682	2.9%
Hedging instruments	85,051	74,451	10,600	14.2%
Property, plant and equipment	153,030	151,872	1,158	0.8%
Goodwill	89,602	89,602	-	-
Other intangible assets	38,189	39,597	(1,408)	-3.6%
Tax assets	38,323	13,314	25,009	187.8%
Tax credits acquired	75,065	-	75,065	-
Other assets	254,110	360,627	(106,517)	-29.5%
Total assets	**32,904,760**	**31,755,017**	**1,149,743**	**3.6%**

(Amounts in € thousand)

	Amounts as at		Changes	
LIABILITIES AND SHAREHOLDERS' EQUITY	06/30/2021	12/31/2020	Amounts	%
Deposits from banks	1,172,802	1,064,859	107,943	10.1%
Deposits from customers	29,141,477	28,359,739	781,738	2.8%
Financial liabilities held for trading	4,937	5,889	(952)	-16.2%
Hedging instruments	118,586	232,102	(113,516)	-48.9%
Tax liabilities	35,666	13,954	21,712	155.6%
Other liabilities	534,610	391,349	143,261	36.6%
Shareholders' equity	1,896,682	1,687,125	209,557	12.4%
- capital and reserves	*1,681,875*	*1,366,387*	*315,488*	23.1%
- revaluation reserves	*(1,863)*	*(2,833)*	*970*	-34.2%
- net profit	*216,670*	*323,571*	*(106,901)*	-33.0%
Total liabilities and Shareholders' equity	**32,904,760**	**31,755,017**	**1,149,743**	**3.6%**

Summary data

Consolidated balance sheet - Quarterly data

(Amounts in € thousand)

ASSETS	Amounts as at 06/30/2021	03/31/2021	12/31/2020	09/30/2020	06/30/2020
Cash and cash balances	1,562,295	1,280,542	1,760,348	987,533	909,802
Financial assets held for trading	21,393	26,233	16,997	13,146	14,591
Loans and receivables with banks	691,753	621,822	780,473	773,653	723,189
Loans and receivables with customers	5,269,368	4,638,732	4,527,837	4,320,340	4,204,291
Financial investments	24,626,581	25,372,229	23,939,899	22,974,599	22,946,524
Hedging instruments	85,051	84,464	74,451	76,119	75,577
Property, plant and equipment	153,030	148,041	151,872	150,459	153,685
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	38,189	39,048	39,597	37,812	36,592
Tax assets	38,323	7,595	13,314	14,405	4,186
Tax credits acquired	75,065	8,789	-	-	-
Other assets	254,110	270,943	360,627	282,998	254,169
Total assets	**32,904,760**	**32,588,040**	**31,755,017**	**29,720,666**	**29,412,208**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at 06/30/2021	03/31/2021	12/31/2020	09/30/2020	06/30/2020
Deposits from banks	1,172,802	1,149,224	1,064,859	104,977	113,137
Deposits from customers	29,141,477	29,102,456	28,359,739	27,296,509	27,021,199
Financial liabilities held for trading	4,937	8,123	5,889	5,737	8,209
Hedging instruments	118,586	139,836	232,102	211,970	207,116
Tax liabilities	35,666	49,169	13,954	51,118	62,928
Other liabilities	534,610	355,897	391,349	429,953	443,965
Shareholders' equity	1,896,682	1,783,335	1,687,125	1,620,402	1,555,654
- capital and reserves	*1,681,875*	*1,690,311*	*1,366,387*	*1,375,138*	*1,373,995*
- revaluation reserves	*(1,863)*	*(1,720)*	*(2,833)*	*(84)*	*1,485*
- net profit	*216,670*	*94,744*	*323,571*	*245,348*	*180,174*
Total liabilities and Shareholders' equity	**32,904,760**	**32,588,040**	**31,755,017**	**29,720,666**	**29,412,208**

Summary data

Consolidated Income Statement

(Amounts in € thousand)

	1st half		Changes	
	2021	2020	Amounts	%
Financial margin	147,897	147,050	847	0.6%
of which Net interest	124,338	138,229	(13,891)	-10.0%
of which Profits from Treasury	23,559	8,821	14,738	167.1%
Net fee and commission income	214,346	194,539	19,807	10.2%
Net trading, hedging and fair value income	40,571	47,661	(7,090)	-14.9%
Net other expenses/income	644	1,392	(748)	-53.7%
REVENUES	**403,458**	**390,642**	**12,816**	**3.3%**
Staff expenses	(52,884)	(48,893)	(3,991)	8.2%
Other administrative expenses	(128,028)	(108,138)	(19,890)	18.4%
Recovery of expenses	67,470	52,263	15,207	29.1%
Impairment/write-backs on intangible and tangible assets	(12,662)	(12,268)	(394)	3.2%
Operating costs	**(126,104)**	**(117,036)**	**(9,068)**	**7.7%**
OPERATING PROFIT (LOSS)	**277,354**	**273,606**	**3,748**	**1.4%**
Net impairment losses on loans and provisions for guarantees and commitments	(1,688)	(3,670)	1,982	-54.0%
NET OPERATING PROFIT (LOSS)	**275,666**	**269,936**	**5,730**	**2.1%**
Other charges and provisions	(14,023)	(7,636)	(6,387)	83.6%
Net income from investments	1,239	(3,818)	5,057	132.5%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**262,882**	**258,482**	**4,400**	**1.7%**
Income tax for the period	(46,212)	(78,308)	32,096	-41.0%
PROFIT (LOSS) FOR THE PERIOD	**216,670**	**180,174**	**36,496**	**20.3%**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**216,670**	**180,174**	**36,496**	**20.3%**

Summary data

Consolidated Income Statement - Quarterly data

(Amounts in € thousand)

	2021	
	1st Quarter	2nd Quarter
Financial margin	75,071	72,826
of which Net interest	61,823	62,515
of which Profits from Treasury	13,248	10,311
Net fee and commission income	108,080	106,266
Net trading, hedging and fair value income	23,888	16,683
Net other expenses/income	512	132
REVENUES	**207,551**	**195,907**
Staff expenses	(26,217)	(26,667)
Other administrative expenses	(62,979)	(65,409)
Recovery of expenses	32,367	35,103
Impairment/write-backs on intangible and tangible assets	(6,275)	(6,387)
Operating costs	**(63,104)**	**(63,000)**
OPERATING PROFIT (LOSS)	**144,447**	**132,907**
Net impairment losses on loans and provisions for guarantees and commitments	(477)	(1,211)
NET OPERATING PROFIT (LOSS)	143,970	131,696
Other charges and provisions	(8,236)	(5,787)
Net income from investments	(583)	1,822
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**135,151**	**127,731**
Income tax for the period	(40,407)	(5,805)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**94,744**	**121,926**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**94,744**	**121,926**

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 year	(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) 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	
	06/30/2021	12/31/2020	Amounts	%
Loans receivable with ordinary customers [1]	4,656,591	4,008,307	648,284	16.2%
Total assets	32,904,760	31,755,017	1,149,743	3.6%
Direct deposits [2]	28,272,596	28,013,982	258,614	0.9%
Assets under administration [3]	73,158,437	63,695,135	9,463,302	14.9%
Total customers sales (direct and indirect)	101,431,033	91,709,117	9,721,916	10.6%
Shareholders' equity	1,896,682	1,687,125	209,557	12.4%

(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		
	06/30/2021	12/31/2020	06/30/2020
No. Employees	1,280	1,262	1,244
No. Personal financial advisors	2,731	2,606	2,569
No. Financial shops [1]	414	410	399

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

Summary data

Profitability, productivity and efficiency ratios

(Amounts in € thousand)

	Data as at		
	06/30/2021	12/31/2020	06/30/2020
Financial margin/Revenues	36.66%	37.41%	37.64%
Income from brokerage and other income/Revenues	63.34%	62.59%	62.36%
Income from brokerage and other income/Operating costs	202.66%	192.61%	208.13%
Cost/income ratio	31.26%	32.50%	29.96%
Operating costs/TFA	0.26%	0.28%	0.28%
Cost of risk	7 bp	10 bp	14 bp
CoR (incentive system)	7 bp	10 bp	13 bp
ROE	27.64%	21.07%	25.73%
Return on assets	1.32%	1.02%	1.23%
EVA (calculated on economic capital)	197,304	277,447	157,913
EVA (calculated on accounting capital)	150,171	184,038	113,742
RARORAC (calculated on economic capital)	75.80%	54.25%	63.98%
RARORAC (calculated on accounting capital)	16.80%	11.90%	15.44%
ROAC (calculated on economic capital)	83.20%	63.27%	72.99%
ROAC (calculated on accounting capital)	24.20%	20.92%	24.46%
Total sales to customers/Average employees	79,741	73,751	66,947
Total customer sales/(Average employees + average PFAs)	25,741	24,026	21,553

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 Half-Year Report".

Key

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

Cost/income ratio: Operating Costs divided by Revenues.

Operating costs/TFA: ratio of operating costs to Total Financial Assets. The TFA used for the ratio is the average for the year, calculated as the average between the balance as at June 30, 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 June 30, 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 and any donations expected to be distributed and the revaluation reserves) for the period (average between the amount of the end of period and the amount of the shareholders' equity as at December 31 of previous year). The result for the period as of June 30, 2021 and June 30, 2020 has been annualized.

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 absorbed either using the book value of shareholders' equity (average of single end quarters).

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

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

For the calculation of the EVA, RARORAC and ROAC indicators as at 30 June 2021, the economic capital as at 30 June 2021 is kept the same as at 31 March 2021, the latest available figure.

It should be noted that the ROE for the six months ended 30 June 2020 has been restated, compared to that published in the consolidated half-year financial report for the six months ended 30 June 2020, as it has been recalculated considering the revocation of the 2019 dividend distribution resolved by the Board of Directors on 6 April 2020 and the consequent proposal, approved by the Shareholders' Meeting on 28 April 2020, to allocate the entire profit for the 2019 financial year to reserves.

Summary data

Balance Sheet indicators

	Data as at	
	06/30/2021	12/31/2020
Loans receivable with ordinary customers/Total assets	14.15%	12.62%
Loans and receivables with banks/Total assets	2.10%	2.46%
Financial assets/Total assets	74.84%	75.39%
Direct sales/Total liabilities and Shareholders' equity	85.92%	88.22%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	5.76%	5.31%
Ordinary customer loans/Direct deposits	16.47%	14.31%

Credit quality	Data as at	
	06/30/2021	12/31/2020
Non-performing loans/Loans receivable with ordinary customers	0.10%	0.09%
Bad loans/Loans receivable with ordinary customers	0.05%	0.05%
Coverage [1] - Bad loans	88.68%	90.29%
Coverage [1] - Unlikely to pay	66.91%	68.92%
Coverage [1] - Impaired past-due exposures	43.19%	63.82%
Coverage [1] - Total Non-performing loans	81.37%	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	
	06/30/2021	12/31/2020
Common Equity Tier 1 Capital (€ thousand)	823,545	1,088,909
Total Own Funds (€ thousand)	1,323,545	1,588,909
Total risk-weighted assets (€ thousand)	4,430,634	3,812,385
Ratio - Common Equity Tier 1 Capital	18.59%	28.56%
Ratio - Tier 1 Capital	29.87%	41.68%
Ratio - Total Own Funds	29.87%	41.68%

	Data as at	
	06/30/2021	12/31/2020
Tier 1 Capital (€ thousand)	1,323,545	1,588,909
Exposure for leverage (€ thousand)	32,851,896	32,792,126
Leverage ratio	4.03%	4.85%

The prudential requirements of the Group at 30 June 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 that modify the content, in particular, the Regulation (EU) 876/2019 (“CRR II”), which transpose the standards defined by the Basel Committee for banking

Summary data

supervision (so-called Basel 3 regulatory framework), collected and implemented by the Bank of Italy through the Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent updates.

Own funds as at 30 June 2021 are equal to € 1,323.5 million, including the whole profit for first semester 2021, net of dividends and other foreseeable charges and assuming the conditions set out in art. 26, paragraph 2, of EU Regulation 575/2013 (CRR). To this end, it should be noted that the foreseeable charges include dividends drawn from available retained earnings, amounting to € 323.2 million. The Board of Directors of 3 August 2021 resolved to propose to the Shareholders' Meeting for distribution of such dividends in the fourth quarter of 2021, as described above.

The leverage ratio as at 30 June 2021 shown above was calculated by applying the provisions of Article 429a 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, resulting in a recalculation of the minimum applicable regulatory requirement ("adjusted leverage ratio"), which at 30 June 2021 is equal to 3.16%. At 30 June 2021, the value of the exemption amounted to €1,845 thousand, with an impact on the indicator of +0.22% which bring the leverage ratio calculated without the above exclusion from 4.83% to 3.81%.

For further details on the composition of own funds, the 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 "FinecoBank Group public disclosure - Pillar III as at 30 June 2021" published on the Company's website www.finecobank.com.

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 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 required.

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: - CET1	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) - CET1	**8.045%**	**9.905%**	**12.365%**

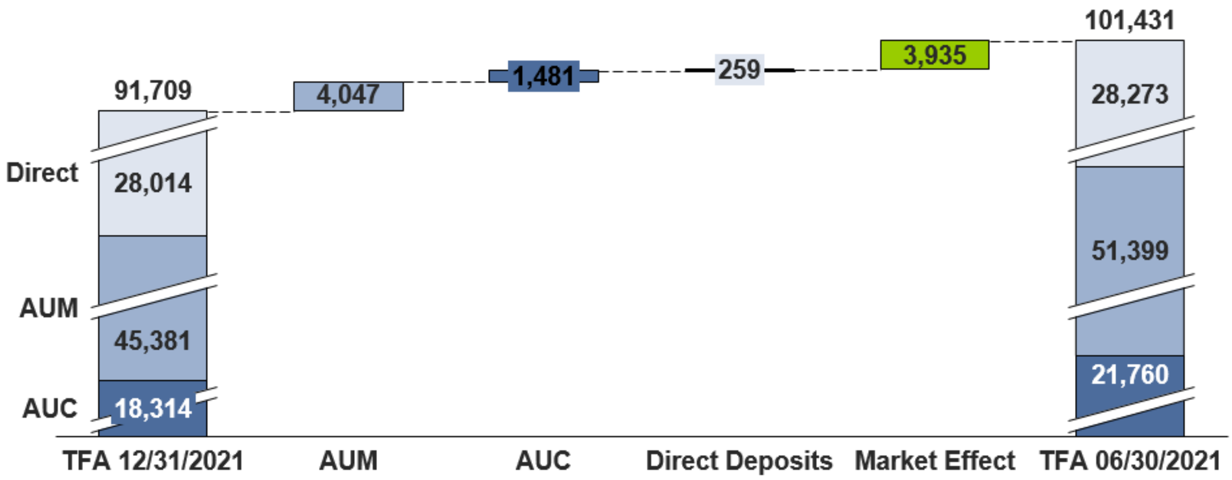
Business performance

Performance of total financial assets

Assets under administration (Assets under Management-AUM plus Assets under Custody-AUC) came to € 73,159 million increased by 14.9% compared to December 31, 2020, thanks to net sales of € 5,528 million recorded in first half 2021 and a positive market effect of € 3,935 million.

Direct deposits showed growth of 0.9% compared to the end of the previous year, to reach € 28,273 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 € 101,431 million, up 10.6% compared to the end of 2020, thanks to a total net sales of € 5,787 million recorded in first half 2021. The quality of sales was also confirmed, which shows a percentage impact of "Guided products & services[4] on TFA of 38.0%, up from the 36.4% recorded at 31 December 2020, and on Assets under Management of 75.0%, 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)*

[4] Respectively, the Bank's products and/or services developed by investing in UCITs selected from among those distributed for each asset class taking into account customers' different risk profiles and offered to the Bank's customers under the guided open architecture model. At the date of this report, the guided products category included the "Core Series" umbrella fund of funds, "Core Funds", the Individual Savings Plans ("Piani Individuali di Risparmio" or "PIR"), the Unit Linked policies "Core Unit", "Advice Unit", "Core Multiramo", "Advice Top Valor", "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.

Total financial assets

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	06/30/2021	Comp%	12/31/2020	Comp%	Absolute	%
Current accounts and demand deposits	28,272,565	27.9%	28,013,775	30.5%	258,790	0.9%
Time deposits and reverse repos	31	0.0%	207	0.0%	(176)	-85.0%
DIRECT DEPOSITS	**28,272,596**	**27.9%**	**28,013,982**	**30.5%**	**258,614**	**0.9%**
Segregated accounts	281,698	0.3%	209,329	0.2%	72,369	34.6%
UCITS and other investment funds	35,699,170	35.2%	31,577,808	34.4%	4,121,362	13.1%
Insurance products	13,448,360	13.3%	11,818,687	12.9%	1,629,673	13.8%
Asset under custody and Direct deposits under advisory	1,969,630	1.9%	1,775,626	1.9%	194,004	10.9%
ASSETS UNDER MANAGEMENT BALANCE	**51,398,858**	**50.7%**	**45,381,450**	**49.5%**	**6,017,408**	**13.3%**
Government securities, bonds and stocks	21,759,579	21.5%	18,313,685	20.0%	3,445,894	18.8%
ASSETS UNDER CUSTODY	**21,759,579**	**21.5%**	**18,313,685**	**20.0%**	**3,445,894**	**18.8%**
TOTAL FINANCIAL ASSETS	**101,431,033**	**100.0%**	**91,709,117**	**100.0%**	**9,721,916**	**10.6%**
of which Guided products & services	38,531,095	38.0%	33,420,198	36.4%	5,110,897	15.3%

The table below shows the figures for direct and indirect deposits solely for the personal financial advisors network' customers. Total financial assets, amounting to € 88,792 million, increased by 11.5 % compared to December 31, 2020, thanks to net sales of € 5,545 million and a positive market effect.

Total financial assets - Personal Financial Advisors Network

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	06/30/2021	Comp %	12/31/2020	Comp %	Absolute	%
Current accounts and demand deposits	21,703,473	24.4%	21,127,063	26.5%	576,410	2.7%
Time deposits and reverse repos	26	0.0%	180	0.0%	(154)	-85.6%
DIRECT DEPOSITS	**21,703,499**	**24.4%**	**21,127,243**	**26.5%**	**576,256**	**2.7%**
Segregated accounts	281,698	0.3%	209,329	0.3%	72,369	34.6%
UCITS and other investment funds	35,230,752	39.7%	31,154,844	39.1%	4,075,908	13.1%
Insurance products	13,380,915	15.1%	11,754,021	14.8%	1,626,894	13.8%
Asset under custody and Direct deposits under advisory	1,969,429	2.2%	1,775,603	2.2%	193,826	10.9%
ASSETS UNDER MANAGEMENT BALANCE	**50,862,794**	**57.3%**	**44,893,797**	**56.4%**	**5,968,997**	**13.3%**
Government securities, bonds and stocks	16,225,702	18.3%	13,622,934	17.1%	2,602,768	19.1%
ASSETS UNDER CUSTODY	**16,225,702**	**18.3%**	**13,622,934**	**17.1%**	**2,602,768**	**19.1%**
TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK	**88,791,995**	**100.0%**	**79,643,974**	**100.0%**	**9,148,021**	**11.5%**
of which Guided products & services	38,476,149	43.3%	33,379,535	41.9%	5,096,614	15.3%

Business performance

The table below shows the figures for net direct sales, assets under management and assets under administration during first half 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 €5,787 million, increased by 21.8% compared with the first half 2020.

Net sales

(Amounts in € thousand)

	1st Half 2021	Comp %	1st Half 2020	Comp %	Changes Absolute	%
Current accounts and demand deposits	258,790	4.5%	569,587	12.0%	(310,797)	-54.6%
Time deposits and reverse repos	(180)	0.0%	(624)	0.0%	444	-71.2%
DIRECT DEPOSITS	**258,610**	**4.5%**	**568,963**	**12.0%**	**(310,353)**	**-54.5%**
Segregated accounts	57,622	1.0%	82,037	1.7%	(24,415)	-29.8%
UCITS and other investment funds	2,605,525	45.0%	611,529	12.9%	1,993,996	326.1%
Insurance products	1,305,509	22.6%	757,031	15.9%	548,478	72.5%
Asset under custody and Direct deposits under advisory	78,554	1.4%	154,381	3.3%	(75,827)	-49.1%
ASSETS UNDER MANAGEMENT	**4,047,210**	**69.9%**	**1,604,978**	**33.8%**	**2,442,232**	**152.2%**
Government securities, bonds and stocks	1,481,067	25.6%	2,575,975	54.2%	(1,094,908)	-42.5%
ASSETS UNDER ADMINISTRATION	**1,481,067**	**25.6%**	**2,575,975**	**54.2%**	**(1,094,908)**	**-42.5%**
NET SALES	**5,786,887**	**100.0%**	**4,749,916**	**100.0%**	**1,036,971**	**21.8%**
of which Guided products & services	3,729,928	64.5%	1,699,451	35.8%	2,030,477	119.5%

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 first half 2021 compared to the same period of the previous year.

Net sales - Personal Financial Advisors Network

(Amounts in € thousand)

	1st Half 2021	Comp %	1st Half 2020	Comp %	Changes Absolute	%
Current accounts and demand deposits	576,410	10.4%	618,893	15.1%	(42,483)	-6.9%
Time deposits and reverse repos	(158)	0.0%	(585)	0.0%	427	-73.0%
DIRECT DEPOSITS	**576,252**	**10.4%**	**618,308**	**15.1%**	**(42,056)**	**-6.8%**
Segregated accounts	57,622	1.0%	82,037	2.0%	(24,415)	-29.8%
UCITS and other investment funds	2,564,913	46.3%	622,502	15.2%	1,942,411	312.0%
Insurance products	1,307,770	23.6%	757,988	18.5%	549,782	72.5%
Asset under custody and Direct deposits under advisory	78,653	1.4%	154,403	3.8%	(75,750)	-49.1%
ASSETS UNDER MANAGEMENT	**4,008,958**	**72.3%**	**1,616,930**	**39.4%**	**2,392,028**	**147.9%**
Government securities, bonds and stocks	960,084	17.3%	1,867,416	45.5%	(907,332)	-48.6%
ASSETS UNDER ADMINISTRATION	**960,084**	**17.3%**	**1,867,416**	**45.5%**	**(907,332)**	**-48.6%**
NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK	**5,545,294**	**100.0%**	**4,102,654**	**100.0%**	**1,442,640**	**35.2%**
of which Guided products & services	3,716,873	67.0%	1,694,089	41.3%	2,022,784	119.4%

Business performance

Performance of main income statement aggregates

Revenues came to € 403.5 million, up 3.3% compared to € 390.6 million accounted for the same period of 2020, mainly thanks to the contribution of **Net fee and commission income** which grew by €19.8 million (+10.2% y/y), and Profits from Treasury Management, up by €14.7 million, which offset the reduction in Net Interest (-€13.9 million) and Net trading, hedging and fair value income (-€7.1 million); in this regard, it should be noted that the market context of the first half of 2020 was characterised by strong volatility, which led to an increase in internalised volumes of over 180%.

Financial margin stood at € 147.9 million, up 0.6% compared to first half of the previous year, thanks to **Profit from Treasury activity**, which more than offset the decrease in **Net Interest** caused mainly by the fall in market interest rates. In particular, **Net interest** stood at € 124.3 million, down 10% compared to the first half 2020, Profit from Treasury activity stood to € 23.6 million, up 167.1% compared to first half of the previous year, as a result of profits from the sale of financial instruments during the half-year.

Net commissions increased by € 19.8 million compared to first half of the previous year, mainly thanks to the fees and commissions generated by Investing segment (+€ 22.6 million), and in particular to the greater contribution of Fineco AM, which recorded volume growth of 43% compared to the 28% growth recorded in the asset management segment. Banking commissions also grew (+10% y/y) thanks to the contribution from fees on current accounts and to and commission on payment cards.

Net trading, hedging and fair value income was mainly generated by profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency; it was down € 7.1 million compared to the first half of the previous year. In this respect, it should be noted that the increase in the customer base operating on the Bank's platform, the expansion of market share and the review of the offer made it possible to partially offset the extremely positive results recorded in the first half of 2020 thanks to the market context which had been characterised by strong volatility.

Operating costs highlight an increased by € 9.1 million compared to the first half of the previous year (+€ 4 million for "Staff expenses", +€ 4.7 million for "Other administrative expenses net of Recovery of expenses" and + € 0.4 million for "Impairment/write-backs on intangible and tangible assets"). The 7.7% increase in operating costs, in fact, is limited compared to the expansion of assets, volumes, customers and structure, confirming the strong operational leverage of the Group and the widespread corporate culture in cost governance theme, certified by a cost/income ratio of 31.3% (30% at 30 June 2020[5]).

Net write-downs of loans and provisions for guarantees and commitments in first half 2021 amounted to -€ 1.7 million (-€3.7 million in first half 2020) and were affected by the change in the macroeconomic scenarios used in the calculation of LLPs at 30 June 2021 for *Expected Credit Losses*. As described above in "Significant events during the period", when assessing performing credit exposures at 30 June 2021, the Group the Group considered the macroeconomic scenarios provided by the external supplier Moody's Analytics, which incorporate forward-looking information updated to the pandemic crisis consistent with the macroeconomic forecasts issued by the European Central Bank, which resulted in a positive impact of €0.8 million in the first half of 2021 (-€1.1 million in the first half of 2020).

Provisions for risks and charges amounted to € 14 million, up 6.4% compared to first half of 2020 (+83.6% y/y). It should be noted that during the first half of the year, the ordinary annual contribution for the year 2021 pursuant to Directive 2014/59/EU (Single Resolution Fund) was recognised in the amount of €5.8 million (€ 0.7 million in the first half of 2020) and the additional contribution to the National Resolution Fund (NRF) pursuant to Article 1, paragraph 848, of Law no. 208/2015 called by the Bank of Italy to the Italian banking system in the amount of € 1.9 million (€ 0.2 million in the first half of 2020). As at 30 June 2021, Other charges and provisions also include a provision of €1.5 million relating to indemnities and refunds to be paid to customers for costs wrongly charged.

The **Net income from investments** stood at +€ 1.2 million showing an increase of € 5.1 million compared to first half of 2020 (-€ 3.8 million). As described above, when assessing performing credit exposures towards security issuers as at 30 June 2021, the Group considered an updated macroeconomic scenario which resulted in a positive impact of €2.3 million in the first half of 2021 (€-3.6 million in the first half of 2020).

Profit before tax from continuing operations amounted to € 262.9 million, up 1.7% compared to the previous year, in particular mainly thanks to higher Net commissions and the positive impact of updated macroeconomic scenarios, which offset the reduction in Net trading, hedging and fair value income, the increase in operating costs and the higher systemic charges recognised in the first half of 2021, while the financial margin remained in line with the first half of 2020 thanks to the contribution of Profits from Treasury Management. Excluding the non-recurring items first half 2020 mentioned before[6], the Profit before tax from continuing operations would show a growth of 1.2%[7].

The **Net profit for the period** amounted to € 216.7 million, showing an increase of 20.3% compared to € 180.2 million of first half 2020. It should be noted that the result for the period benefited from the tax realignment of goodwill carried out by FinecoBank, as provided for by article 110 of Decree

[5] The cost/income ratio as at 30 June 2020 has been restated, as specified in the introductory notes, in order to include the different way of recognising some costs related to the activity carried out by the financial advisors and therefore make the figure comparable.

[6] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 1.2 million (gross of the tax effect),

[7] No changes in fair value have been booked in first half 2021 on the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits.

Business performance

Law 104 of 2020, which resulted in a positive impact in the first half of 2021 of € 32 million. Excluding this non-recurring item[8], the Net profit for the profit should be € 184.6 million, up 2% compared to first half 2020 net of non-recurring items[9].

Performance of main balance sheet aggregates

Cash and cash balances, amounting to € 1,562.3 million, consisted mainly of the liquidity deposited in the HAM (Home Accounting Model) account with the Bank of Italy, used to manage short-term liquidity.

Loans and receivables with banks, came to € 691.8 million, a decrease of 11.4% compared to December 31, 2020, driven mainly by higher variation margins paid for derivative dealing. This item also includes cash and cash equivalents with credit institutions held mainly for the settlement of payment transactions and transactions involving own and customers' financial instruments.

Loans and receivables with customers came to € 5,269.4 million, up 16.4% compared to December 31, 2020, thanks to the increase in lending activity. During first half 2021, € 133.6 million in personal loans and € 521.4 million in mortgages were granted and € 822.1 million in current account overdrafts were arranged, with an increase in exposures in current account of € 210.3 million; this has resulted an overall 16.2% aggregate increase in loans to ordinary customers compared to December 31, 2020. Impaired loans net of impairment losses totalled € 4.6 million (€ 3.5 million as at December 31, 2020), with a coverage ratio of 81.4% (86.1% as at December 31, 2020). The ratio between impaired loans and total loans to ordinary customers was confirmed equal to 0.1% (0.09% as at December 31, 2020).

Financial investments came to € 24,626.6 million, up 2.9% compared to December 31, 2020. The carrying amount of the debt securities issued by the UniCredit S.p.A. amount to € 4,972.6million, down compared to € 5,738.9 million as at December 31, 2020 due to the repayment of securities maturing during first half 2021. The purchases made by the Group during the first semester 2021 mainly concerned securities issued by sovereign States.

Deposits from banks totaled € 1,172.8 million, showing an increase of € 107.9 million compared to December 31, 2020, mainly attributable to the liquidity received from the Central Bank in the context of 6th tranche of the TLTRO III program, for an amount of € 95 million.

Deposits from customers came to € 29,141.5 million, up € 781.7 compared to December 31, 2020, mainly as a result of repurchase agreements on the MTS market outstanding as at 30 June 2021 and growth in direct deposits.

Shareholders' equity amounted to € 1,896.7 million, showing an increase of € 209.6 million compared to December 31, 2020, attributable mainly to the profit earned at 30 June 2021. During the first half 2021, coupons were paid on the AT1 instruments issued by FinecoBank, which, net of taxes, resulted in a reduction in equity of € 9.9 million.

[8] No changes in fair value have been booked in first half 2021 on the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits.
[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 -€0.8 million (net of the tax effect).

Business performance

Communications and external relations

The first half of 2021 was characterised by a particular effort to present the Bank's approach to sustainability, understood not only as attention to the environment and offering ESG investments, but integrated with a specific focus on the issue of cost transparency. A further focus was on Fineco's initiative to introduce into the public debate the issue of excess liquidity in current accounts, with the aim of stimulating reflection on the advisability of investing deposits to avoid their erosion by inflation.

The subject of sustainability was explored in depth through a series of articles and interviews with the bank's top management, presenting Fineco's ESG strategy in all its breadth: from the possibility of sustainable investments guaranteed by the open platform to compliance with international best practices in the sector. One example is the adherence to the Principles for Responsible Banking of the United Nations, which aim to improve the sustainability of the banking sector and to which around 200 banks worldwide have adhered.

Further details on the topic of sustainability can be found in the following section "Sustainability."

With the aim of supporting the economy of the Italian system and the restart, FinecoBank launched a campaign in April to support the purchase of government BTPs by setting the trading commissions charged for the purchase of the securities and the sales commissions to zero.

Sustainability was also a theme that affected the training of Fineco's employees and financial advisors as early as 2020 was profoundly marked by the COVID-19 health emergency, which, following the lockdown, imposed entirely new ways of doing things, in virtual mode and making them accessible remotely.

The contractual change announced by Fineco to discourage excessive accumulation of liquidity on current accounts was accompanied by a series of communication activities aimed at stimulating a debate on the subject in the main media. In addition to interviews with the bank's main representatives, collaboration continued with Il Corriere della Sera as part of the initiative "Italy that invests: after the crisis, a new normality". FinecoBank's CEO and General Manager, Alessandro Foti, on Corriere.it's TV channel addressed the risks associated with the loss of value of inactive deposits together with a leading economist, highlighting the increased demand for financial advice in the country.

In response to the acceleration of this structural trend triggered by the digitalisation taking place in the country, a press conference held by Mauro Albanese, Deputy General Manager and Commercial Director of Fineco's Pfa & Private Banking Network, in June illustrated the introduction of the team model designed by the Bank. Advisors will be able to take advantage of the flexibility offered by Fineco's technological platform to respond as a team to the needs of individual clients, thus giving greater value to the network.

As part of the Reputation Management programme - which involves Reputation Institute[10] continuously measuring the company's reputation among a representative sample of the Italian population (General Public) on a monthly basis - in the first half of the year FinecoBank's reputation index recorded a further increase compared to the all-time highs reached in the 2020 period, positioning FinecoBank as the second most reputable bank.

For the first time, Fineco supported TEDxMilano, the local TED - Technology, Entertainment and Design - event in Milan, which this year took the form of two events on 9 and 10 June at the Triennale di Milano. The first event, TEDxYouth@Milano, dedicated to young people, was inspired by the theme "Chaos", while the second evening focused on the theme "Balances". Confirming its commitment to supporting cultural initiatives of great interest to the community and to fostering the dissemination of topics close to Fineco's philosophy, such as innovation and sustainability, the Bank will also be the main partner of all TEDxMilano events planned for 2021.

A total of 1,800 events were organised, of which virtual events accounted for around 80%, attended by over 70,000 customers and prospects. In addition, in October, the Private Convention - Digital Edition was organised, where the Bank's strategy for the private segment was outlined with over 400 private bankers.

FinecoBank is "Top Employer Italia" also in 2021, thanks to the attention dedicated to the enhancement of resources and the development of skills, fostering a positive and stimulating working environment.

Fineco's marketing and communication activities in the UK focused in the first half of the year on enriching the investment platform alongside the trading segment. In addition to the possibility for customers to choose from a range of funds created by a constantly expanding selection of Asset Managers, the ISA pension investment offer was launched, accompanied by a promotion that allows customers to reduce commissions to zero if they transfer their Isa account from another provider. In addition, a customer survey was carried out early in the year, which received good coverage in the UK media, highlighting clients' strong appetite for change in this area of investment.

As far as Fineco Asset Management ("FAM") is concerned, the continued growth of assets under management was accompanied by a further expansion of the range of investment solutions to respond to changing market conditions. In the first half of 2021 the strategic communication activity focused on presenting the new decumulation products of the Target family oriented to favour a gradual entry into the equity markets, thus respecting the risk profile of clients. At the same time, in order to reinforce FAM's position among the main market players, a monthly report on the macroeconomic situation was produced and disseminated by FAM's investment team. The media showed interest in this initiative by disseminating the content of the reports and involving FAM in in-depth analyses and round tables dedicated to the analysis of the global economic situation, thus fostering greater brand recognition.

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

Business performance

On the product side, FAM launched several new investment solutions that are increasingly innovative. In particular, FAM Target China allows, for the first time, to invest in the Chinese stock market, benefiting from a coupon that enhances the more conservative part of the investment. Together with the other Target products and the exclusive for the Italian market represented by Infusive Consumer Alpha Global Leaders FAM. The new products were supported by targeted advertising campaigns, focused on off-line and on-line publications, both national and specialised.

The press relations activities also saw the involvement of FAM's CEO through interviews and in-depth analysis, aimed at presenting the new instruments, strategically positioning them in the peculiar context of the market and the sector, integrating them with the company's commitment in the field of sustainability. Moreover, the principles of behavioural finance, automated for the first time in FAM Target Boost, were among the topics in focus of the media relations activity, testifying FAM's vocation to financial education.

Main environmental protection initiatives

The Group also confirmed and strengthened its important partnership with Fondo Ambiente Italiano (FAI): Fineco has been a Corporate Golden Donor of FAI since 2017, a title awarded to the most active companies in the field of culture and protection of local artistic heritage. In particular, in 2021 FinecoBank was the Main Sponsor of all of FAI's initiatives, from the "Giornate FAI di Primavera" (FAI Spring Days), the biggest street festival dedicated to Italy's cultural heritage and landscape, with 600 openings in over 300 Italian cities.

Main solidarity initiatives

In the first half of 2021, FinecoBank continued its commitment to supporting the community. In particular, the Bank made a donation to the "G. e D. De Marchi" Foundation. De Marchi Foundation, aimed at helping the families of children hospitalised at the De Marchi Clinic in Milan, who often do not have the necessary resources to meet the many expenses required to stay close to the young patients, especially if they do not live in the city.

Fineco also supported the activities of the Anvolt association, which supports cancer patients and their families in the course of treatment, by organising the transport of patients from their homes to hospital facilities to receive the necessary therapies. Fineco's contribution was allocated in particular to the "Vicinanza" (Closeness) project, which promotes access to clinics for early cancer screening for women who have more difficulty in accessing specialist examinations.

Sustainability

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

In particular, in the first quarter of the year, 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 Asset Management 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, our asset management company in the first half of the year also classified its funds according to Articles 6, 8 and 9 of the SFDR and it should be noted that, at the end of June 2021, 23% of FAM's Asset Under Management was related to funds falling under Article 8, i.e. funds that promote, among other characteristics, environmental or social characteristics, or a combination of these.

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 first half of 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.

Raising awareness of sustainability issues among its stakeholders is a key activity in Fineco's ESG journey, so during the first half of 2021, a number of initiatives were launched in this direction. In April 2021, two ESG training sessions dedicated to our Financial Advisor network were held, in particular, the first session provided an introduction on the evolution of sustainability and sustainable finance, while the second session was dedicated to "Sustainability in Fineco". At the beginning of May 2021, a new online course directed at all employees was launched, entitled "Introduction to Sustainability" and structured in two modules describing the evolution of the concept of sustainability in its three dimensions (economic, environmental and social) and the practical application of the concept of sustainability to the world of companies, and in particular Fineco. For savers, in June 2021 Fineco organised 3 public webinars dedicated to the topic "investments and sustainability", on the occasion of the United Nations International Days, which covered topics such as integrating sustainability into investment choices, investments in the water and waste sectors and the benefits of thematic investments. 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 half of 2021, the first implementation of the Environmental Management System was completed, which in the second half of the year will be assessed by the Committee for the Ecolabel and Ecoaudit - EMAS Italy Section - for the

Business performance

purposes of EMAS Registration. In this context, in June 2021 the Board of Directors approved the Environmental Programme 2021-2024, drawn up according to the indications of the EMAS (EU) Regulation no. 1221/2009 and 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 second half of the year together with the Environmental Statement in accordance with the EMAS Regulation. 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.

In line with the project for the redevelopment and enhancement of urban spaces by the City of Milan through the "Care for and adopt public green spaces" tender launched in November 2020, which provided for the redevelopment of green spaces located between Corso Como and Corso Garibaldi, two murals were created in the same area, one in January and the other in April, on two themes that are important to the Bank, namely innovation and the future.

The results and progress achieved are evidenced by the awards received periodically by Fineco. In particular, in April 2021 the Bank was awarded the "MF Banking Awards 2021 - Best ESG Rating", organised by MF-Milano Finanza and Class Cnbc, by virtue of obtaining the best rating among Italian banks from Standard Ethics, an agency specialising in ESG ratings, based on the sustainability principles promoted by the UN, OECD and European Union. Furthermore, in the same month, 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, in July 2021 Fineco received the "MF ESG Awards 2021", again for having obtained the best Standard Ethics rating among Italian banks.

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 the same month, 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.

Business performance

Incentive plans

The Board of Directors' meeting of FinecoBank held on January 19, 2021 – in consideration of the favourable opinion of the Remuneration Committee which met on January 15, 2021 – approved the following incentive systems subsequently approved by the Shareholders' Meeting of April 28, 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 9, 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 in its meeting of February 8, 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 22th, 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 2018 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), 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, other Key Management Personnel, and other Key Personnel;
  - 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 share tranche 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.

Business performance

- 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 of 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.

FinecoBank shares

Share information

FinecoBank share registered a strong increase of its value over the first half of year, reaching its all-time high at € 15.19 in February 2021.

As of June 30, 2021, the price of the share was equal to € 14.70, increasing by +9.7% compared to the last trading day of 2020 equal to € 13.14. The average value recorded by the share during the first half of 2021 was € 14.13.

The company's market capitalization equaled to € 8,966 million as of June 30, 2021, increasing by € 798 million compared to December 31st, 2020.

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Year 2019	1st Half 2020	Year 2020	1st Half 2021
Official price of ordinary shares (€)									
- maximum	4.750	7.805	7.400	8.735	11.890	12.385	12.415	13.425	15.185
- minimum	3.808	4.438	4.622	5.345	7.956	8.514	6.918	6.918	12.875
- average	4.173	6.479	5.980	6.914	9.823	10.234	10.124	11.329	14.127
- period-end	4.668	7.625	5.330	8.535	8.778	10.690	12.015	13.400	14.700
Number of shares (million)									
- outstanding at period end	606.3	606.5	606.8	607.7	608.4	608.9	609.6	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

During the first half 2021 the Banking area continued to optimize digitalisation processes and expand its offering of products and services, with a view to making them more responsive to customer needs..

As part of the expansion of products and services, with the aim of facilitating customer access to Public Administration services, it is now possible to request, directly from the reserved area of the finecobank.com website, SPID credentials, the Public Digital Identity System that allows holders of a digital identity to access many Public Administration services, such as health bookings, school registrations, applications to INPS (National Social Security Institute) and the Italian Revenue Agency with a single password. The service, offered in collaboration with Namirial, is free of charge. Thanks to the identification of the customer carried out by the Bank during the account opening phase, the request process can be completed directly from the reserved area of the Fineco website. The customer does not have to send any additional documentation, nor is he required to physically move or make a video call to be identified.

With regard to the offering in the UK, the development of the new Apriconto process through Fineco's APP in native mode on iOS and Android operating systems, including Huawei devices, should be noted.

In the regulatory area, the Bank's activities focused on

- on the implementation of the SOF module for the reporting of expenses incurred by customers;
- optimising the processes for managing and updating expired identity documents.

As far as payment cards are concerned, the following main initiatives should be noted

- enrichment of the offer through 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;
- 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.

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.

Results achieved in the main areas of activity

The following table shows the spending and the carrying amount of credit cards as at June 30, 2021 compared with the previous year.

(Amounts in € thousand)

	Spending	Carrying amount	Spending	Carrying amount	Changes			
	1st Half		1st Half		Spending		Carrying amount	
Credit Products	**2021**	**06/30/2021**	**2020**	**12/31/2020**	**Amounts**	**%**	**Amounts**	**%**
Revolving credit cards	17,959	34,350	19,409	37,165	(1,450)	-7.5%	(2,815)	-7.6%
Credit cards full payment of balance	1,237,174	254,625	1,189,198	258,861	47,976	4.0%	(4,236)	-1.6%
Total	**1,255,133**	**288,975**	**1,208,607**	**296,026**	**46,526**	**3.9%**	**(7,051)**	**-2.4%**

Mortgages, credit facilities and personal loans

In the lending business, during the first half 2021 the Bank continued to optimize its current loan portfolio. Regarding the optimisation of the 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 digitisation of the Loan Transparency Letters made available to customers in the private area of the Fineco website.

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 mortgage offer, the following was planned

- the adaptation of the mortgage process and documentation 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).

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.

Results achieved in the main areas of activity

The following table shows the disbursements and the carrying amount of personal and unsecured loans, mortgages and the disbursement of current account credit lines as at June 30, 2021, compared to the previous year.

(Amounts in € thousand)

Credit Products	Disbursements	Carrying Amount	Disbursements	Carrying Amount	Changes			
	1st Half		1st Half		Disbursements		Carrying Amount	
	2021	06/30/2021	2020	12/31/2020	Amount	%	Amount	%
Personal loans and unsecured loans	133,635	471,040	78,046	438,996	55,589	71.2%	32,044	7.3%
Current account credit facilities*	822,108	1,813,092	428,908	1,602,767	393,200	91.7%	210,325	13.1%
Mortgages	521,424	2,081,408	551,914	1,668,286	(30,490)	-5.5%	413,122	24.8%
Total	**1,477,167**	**4,365,540**	**1,058,868**	**3,710,049**	**418,299**	**39.5%**	**655,491**	**17.7%**

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

Furthermore note that the credit lines guaranteed by securities granted in the first half of 2021 totaled € 822 million (€800 million related to “Credit Lombard” product, € 10 million related to credit facilities secured by pledged and € 2 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

In the first half of 2021, international monetary policies prevented the pandemic crisis from turning into a financial crisis, ensuring liquidity in markets and promoting credit through several initiatives including bond-buying programmes, also adopted for the first time by central banks in some emerging economies.

Conditions on the financial markets, after the sudden deterioration observed in the initial phase of the pandemic, have become progressively more stretched leading to a strengthening of growth prospects, also fuelled by the vaccination campaigns to date at a very late stage both in the United States and in Europe.

While volatility fell sharply, both realized and implied, the best equities performance was recorded in the first half of the year. The Brokerage revenues, amounted to € 115.1 million, compared to the first half of 2020 show a contraction (-11%) in the face of much lower market volatility, but the comparison with the average revenues reached between 2017 and 2019, when volatility was at levels similar to those booked in the first half, sees growth of around 70% thanks to the expansion of the active customer base and the continuous innovation of the offer. In this contest, the offering of products and services strengthened in the first half of the year thanks to the introduction of options with more than 100 US shares underlying, traded on the US market CBOE.

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

(Amounts in € thousand)

	1st Half		Changes	
	2021	**2020**	**Absolute**	**%**
Orders - Equity Italy (including internalised orders)	5,118,275	6,237,651	(1,119,376)	-17.9%
Orders - Equity USA (including internalised orders)	3,019,517	1,752,969	1,266,548	72.3%
Orders - Equity other markets (including internalised orders)	643,898	648,330	(4,432)	-0.7%
Total Equity orders	*8,781,690*	*8,638,950*	*142,740*	*1.7%*
Orders - Bonds	190,733	315,141	(124,408)	-39.5%
Orders - Derivatives	4,839,226	5,316,469	(477,243)	-9.0%
Orders - Forex	490,191	539,991	(49,800)	-9.2%
Orders - CFDs	1,046,609	1,388,571	(341,962)	-24.6%
Orders - Funds	2,289,831	1,849,364	440,467	23.8%
Total orders	**17,638,280**	**18,048,486**	**(410,206)**	**-2.3%**

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 the first half of 2021 compared to the same period in the previous year.

(Amounts in € thousand)

	1st Half		Changes	
	2021	2020	Absolute	%
Equity (internationalization)	48,178,729	58,416,884	(10,238,155)	-17.5%
Derivatives (of which internalized)	94,988,453	100,798,767	(5,810,314)	-5.8%
Forex	26,201,439	29,253,935	(3,052,496)	-10.4%
CFD and Logos	24,492,803	48,961,051	(24,468,248)	-50.0%
Total "internalized" volumes	**193,861,424**	**237,430,637**	**(43,569,213)**	**-18.4%**

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 the first half of 2021 the range was expanded with the inclusion in the platform of 91 new ISINs available to customers, including 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. In the FAM Series family, in addition to the Global Defence strategy, a new fund called "Target China Coupon 2026" was added for placement, which allows gradual and automated exposure, with Boost functionality always present, to the Chinese market with a remuneration of the component not yet invested in shares at an annual rate of 2%. Lastly, it should be noted that new features were also introduced in the Core Series family of funds with the launch of the "private" class of 4 strategies already present in the range, to which should be added the inclusion of the Invesco Pan European High Income FAM Fund strategy, a new proxy fund, resulting from a merger between the original sub-fund distributed by Invesco Funds and the new fund distributed will have FAM as Management Company and Invesco Asset Management Limited as the delegated investment manager.

The fund platform on the Italian market consists of 71 investment houses with a total of 6,443 ISINs, of which 5,951 are currently subscribed.

Still with reference to collective asset management products, from September 2019, the placement of funds also started on the UK market. As of 30 June 2021, there are 21 Investment Houses and 790 ISINs available on the UK platform.

In the area of delegated solutions for private customers, the asset management offer was enriched from February 2021 with a new management line called Private Global designed together with Banor Sim, already an industrial partner for Value and Ethical asset management. Private Global is divided into four risk profiles, from prudent to dynamic, and is characterised by an increasing equity exposure from 10% to 80%.

In line with the Bank's long-term products, Private Global asset management schemes join Private Value and Ethical asset management schemes and, although they represent a novelty, they are complementary to the management lines in distribution: Private Global in fact, unlike Private Value and Ethical asset management schemes in securities, are in ETFs and funds and are characterised by a blend, multi-manager approach and global geographical diversification.

Thanks to the constant interest shown by private clients in this investment solution, assets under management grew by 35% compared to 31 December 2020.

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 36% compared to 31 December 2020. In addition, in line with an increasing focus on the issue of sustainability, as of 1 October 2020 the pension fund supervisory authority COVIP authorised regulatory changes to Core Pension thanks to which new investment policies incorporating ESG criteria have been implemented, assigning Core Pension, under the SFDR ex Reg. 2019/2088, the Art 8 classification.

In the area of insurance advisory services, in the first half of 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.

With regard to the offer on the primary market (IPO), the placement of Investment Certificates continued. The structures mainly used are those "conditionally protected" through protection barriers up to 70%, autocallable with conditional coupon and memory effect. Three different issuers were used and six placements were made, with inflows up 60% on the same period in 2020. 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 the first half of 2021, the Bank continued its activities and solutions aimed at improving the services offered to Fineco's customers and financial advisors. The period saw an acceleration in the growth of requests to customise private portfolios, especially in the ESG area, support that advisors request from the Bank's Senior Investment Specialist team to meet the needs of their most important clients.

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. In the course of 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 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.

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.

Results achieved in the main areas of activity

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.

The following table shows in detail the composition of the products of assets under management as at 30 June 2021, whose balance shows an increase of 13.3% compared to 31 December 2020.

(Amounts in € thousand)

	Amounts as at		Amounts as at		Changes	
	06/30/2021	Comp %	12/31/2020	Comp %	Absolute	%
UCITS and other investment funds	35,699,170	69.5%	31,577,808	69.6%	4,121,362	13.1%
Insurance products	13,448,360	26.2%	11,818,687	26.0%	1,629,673	13.8%
Segregated accounts	281,698	0.5%	209,329	0.5%	72,369	34.6%
Asset under custody and Direct deposits under advisory	1,969,630	3.8%	1,775,626	3.9%	194,004	10.9%
Total assets under management	**51,398,858**	**100.0%**	**45,381,450**	**88.3%**	**6,017,408**	**13.3%**

The network of personal financial advisors

In the first half 2021, very robust inflows were recorded by the Network of personal financial advisor, confirming the growth path undertaken a few years ago, thanks also to the acceleration of structural trends that have been underway for some time, which have clearly highlighted the need for ever greater digitalisation and the growing demand for qualified advice from customers.

Without resorting to short-term commercial policies and with initiatives aimed at stimulating efficient portfolio construction, Fineco saw strong growth in the managed component, which confirms our focus on asset management. The Guided Products (solutions with a high degree of diversification and/or risk control) and Fineco Asset Management's investment solutions were particularly appreciated, especially the so-called Target solutions which, according to different time horizons and risk profiles, allow a progressive increase in equity exposure, avoiding market timing errors and ensuring at the same time adequate diversification and timely rebalancing.

The network's asset mix saw a marked improvement in the managed component, which accounted for 72% of total inflows.

The acquisition of new clients also showed a marked acceleration, confirming the strong demand for professional advice.

As at 30 June 2021, the Network of personal financial advisor recorded extremely significant results, in particular:

- Total Net Sales: €5.545 billion (+35% yoy)
- Total Net Sales Assets Under Management: €4.009 billion (+148% yoy)
- Net Inflows in Guided Products: €3.717 billion (+119% yoy)

In addition, 44,352 new clients were acquired during the year (+57% yoy).

Confirming the appreciation of the advanced financial and wealth advisory services offered to high-end customers, the Private segment grew by approximately 36% compared to the same period of the previous year, with assets amounting to € 40.9 billion as at 30 June 2021, referred to 32,767 customers assisted by personal financial advisors.

A decisive change of pace was also seen in recruitment activities, which complemented and completed the growth and increased quality of the Network. Thanks to an intense dynamism in recruiting and to the strong attractiveness of our model, mainly by those consultants belonging to private structures still tied to more traditional models, 68 new Financial Advisors were recruited in the first half of the year (compared to 30 in the same period last year).

The focus on "millennials" was also confirmed and, as part of the "progetto giovani", Fineco introduced 102 new consultants to the profession in just six months (compared to 25 in the same period last year).

As part of the ongoing commitment to financial education, events dedicated to customers continued. These events, organised almost exclusively in digital mode, aim to increase and deepen knowledge on issues relating to investments, financial planning and behavioural finance. A total of 935 events were held in the first half of 2021, involving more than 32,000 customers and prospects. Among these, 15 events focusing on the subject of wealth planning, specifically dedicated to high-end clients, were attended by around 600 private clients.

Once again in 2021, FinecoBank's financial centers (amounting to 414) distributed throughout the country were organised to ensure maximum continuity in total safety for customers and financial advisors.

During the year, 12 new openings were also set up to further support the image and capillarity.

As at 30 June 2021, the Network consisted of 2,731 personal 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 same period of last year.

Net sales - Personal Financial Advisors Network

(Amounts in € thousand)

	1st Half 2021	Comp %	1st Half 2020	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	576,410	10.4%	618,893	15.1%	(42,483)	-6.9%
Time deposits and reverse repos	(158)	0.0%	(585)	0.0%	427	-73.0%
DIRECT DEPOSITS	**576,252**	**10.4%**	**618,308**	**15.1%**	**(42,056)**	**-6.8%**
Segregated accounts	57,622	1.0%	82,037	2.0%	(24,415)	-29.8%
UCITS and other investment funds	2,564,913	46.3%	622,502	15.2%	1,942,411	312.0%
Insurance products	1,307,770	23.6%	757,988	18.5%	549,782	72.5%
Asset under custody and Direct deposits under advisory	78,653	1.4%	154,403	3.8%	(75,750)	-49.1%
ASSETS UNDER MANAGEMENT	**4,008,958**	**72.3%**	**1,616,930**	**39.4%**	**2,392,028**	**147.9%**
Government securities, bonds and stocks	960,084	17.3%	1,867,416	45.5%	(907,332)	-48.6%
ASSETS UNDER ADMINISTRATION	**960,084**	**17.3%**	**1,867,416**	**45.5%**	**(907,332)**	**-48.6%**
NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK	**5,545,294**	**100.0%**	**4,102,654**	**100.0%**	**1,442,640**	**35.2%**
of which Guided products & services	3,716,873	67.0%	1,694,089	41.3%	2,022,784	119.4%

The table below shows the amount of deposits attributable to the personal financial advisors network as at 30 June 2021. The sales of direct deposits, management and administration, amounted to € 88,792 million increased by 11.5% compared to 31 December 2020, thanks to the positive contribution of the direct sales generated during the year, amounting to € 5,545 million.

Total financial assets - Personal Financial Advisors Network

(Amounts in € thousand)

	Amounts as at 06/30/2021	Comp %	Amounts as at 12/31/2020	Comp %	Changes Absolute	Changes %
Current accounts and demand deposits	21,703,473	24.4%	21,127,063	26.5%	576,410	2.7%
Time deposits and reverse repos	26	0.0%	180	0.0%	(154)	-85.6%
DIRECT DEPOSITS	**21,703,499**	**24.4%**	**21,127,243**	**26.5%**	**576,256**	**2.7%**
Segregated accounts	281,698	0.3%	209,329	0.3%	72,369	34.6%
UCITS and other investment funds	35,230,752	39.7%	31,154,844	39.1%	4,075,908	13.1%
Insurance products	13,380,915	15.1%	11,754,021	14.8%	1,626,894	13.8%
Asset under custody and Direct deposits under advisory	1,969,429	2.2%	1,775,603	2.2%	193,826	10.9%
ASSETS UNDER MANAGEMENT BALANCE	**50,862,794**	**57.3%**	**44,893,797**	**56.4%**	**5,968,997**	**13.3%**
Government securities, bonds and stocks	16,225,702	18.3%	13,622,934	17.1%	2,602,768	19.1%
ASSETS UNDER CUSTODY	**16,225,702**	**18.3%**	**13,622,934**	**17.1%**	**2,602,768**	**19.1%**
TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK	**88,791,995**	**100.0%**	**79,643,974**	**100.0%**	**9,148,021**	**11.5%**
of which Guided products & services	38,476,149	43.3%	33,379,535	41.9%	5,096,614	15.3%

Human resources

The parent: FinecoBank S.p.A.

As at June 2021, the Bank's employees are 1,242 up compared to 1,226 as at December 31, 2020.

During the first half of 2021 despite the Covid emergency, the activity normally continued. All the employees could work remotely. In addition, in order to deal with the health emergency, initiatives aimed at facilitating and improving the working and personal life of employees continued. These initiatives, in continuity with what was done in 2020, 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.

In addition, hiring activities aimed at strengthening and optimising the areas dedicated to business development, organizational and technological support and risk control and management continued in "remote" mode. This led to the recruitment of no. 31 resources.

Out of the 31 recruitments, many were employed in the Customer Relationship Management area confirming the strong and ongoing focus on young graduates. Customer Relationship Management is in fact the starting point of a path of professional development that can lead to cover different roles in the company

In continuity with previous years, we put our effort in attracting new talents continued also in the first six months of 2021, with a particular focus on new Generations (Millenials and Z Generation), also thanks to employer branding initiatives aimed at meeting and hiring new graduates or undergraduates and better understand the behavioral dynamics typical of the new generations. Because of the Covid emergency, Fineco attended Digital Career Days and continued to use different hiring techniques, such as video interviews and remote interviews. Even the onboarding took place very quickly, immediately equipping the new employees with all the equipment needed for remote work.

During the first half of 2021, a total of 15 employees left the Bank, including:

- 11 resignations;
- 4 for other reasons.

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

	Men		Women		Total	
Category	06/30/2021	12/31/2020	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Executives	24	22	6	6	30	28
Managers	292	290	113	114	405	404
Professional Areas	402	394	405	400	807	794
Total	**718**	**706**	**524**	**520**	**1,242**	**1,226**

At June 30th 2021, the Bank has 92 part-time employees (7% of the total), women employees making up 42% of the workforce. The average length of service is about 12 years and the average age is about 41.

Human resources

Employee training

Employee training in the first half of 2021 was focused on the acquisition and strengthening of specific skills required by different company needs, and on the updating of individual knowledge, with particular attention to mandatory, technical, linguistic and behavioural-managerial training

Training hours* are broken down below by category:

Training area	Hours of training
Mandatory	7,299
Technical	5,836
Foreign Language	3,191
Conduct – Management	720
Total	**17,046**

*FAM included

Mandatory training

The Bank is steadily committed spreading and improving Risk and Compliance culture across the organisation, elements that let the business be, not only profitable, but also sustainable over time.

For this reason, considerable attention was paid to mandatory training, extended to all FinecoBank employees, and mainly provided remotely, through LearningNext platform, with the implementation of new courses on determining relevant topics and the update and customization of the existing ones. In addition, mandatory training has been periodically monitored, to ensure that all employees received this training and to preserve the Bank from operational, legal and reputational risks, arising from the lack of completion of courses.

To ensure compliance with occupational health and safety provisions, the Bank has guaranteed appropriate training to all involved resources.

Moreover, in 2021 FinecoBank continued to promote the importance of a Compliance Culture among employees, crucial to promoting transparency and observance of rules among employees, as the basis of FinecoBank's business.

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

Technical training

In the first six months of 2021, in accordance with pandemic emergency due to COVID-19, several training sessions were organised, using both external suppliers collaboration and internal resources support, in order to allow the acquisition of specific technical skills, useful to increase the employee specialisation level.

In the Customer Relationship Management area, considering high standards quality service and customer focus, “welcome” and “in itinere” courses were organized for a total amount of 4,713 hours, aimed to gain the key technical and role-specific skills.

Given the importance of the theme for Fineco, an on line course on sustainability has been released and shared with all employees. The focus of this course was the sustainable growth and development policies in long periods of time, regarding social, environmental and cultural terms.

In the first half of 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 dealt with management of resources. Considering the health situation, the 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. The path includes individual interviews, online training and remote coaching sessions, to support the achievement of the objectives agreed in the professional development plan.

Also for 2021 FinecoBank renewed the association to Valore D, which offers employees the opportunity to access content and courses designed to enhance female talent and promote inclusive culture in the company.

Human resources

Foreign language training

During 2021, all the employees have had the opportunity to use a new language training platform, Voxy (A.I. based), with the purpose of increase the linguistic skills of each person through a customized learning path, based on the starting level of linguistic knowledge and on the own personal interests.

In addition, traditional group learning classes ("classi Fineco" and "classi mondo") and individual classes have been activated, these courses have been provided through telephone or virtual classes and the activity has involved about 320 employees. In some particular cases, some Executives employees have been enrolled for specific classes of legal English.

Employees participation to courses is defined on the basis of formal requests to every unit manager, depending on the specific professional needs of the colleagues, with the exception of the Voxy platform, that is available for everyone.

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

As at 30 June 2021, the Company's employees are 38 of which 12 women and 26 men and the average age is around 37.

During the first half of 2021, there were 5 entries and 2 exits due to resignation.

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. It 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 been at the heart of 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 manages to follow 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 the IT and Security area 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 levels, 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-provider, 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 their services.

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 to manage investment services.

In the first half of 2021, the ICT & Security Office Department (CIO) carried out its usual activities for the technological upgrading, fortification and development of the ICT system, in order to provide innovative, reliable, interoperable and open systems that improve the experience of customers and personal financial advisors including FinecoTeam, a flexible, digitised and customised co-working platform, built to further improve the level of customer service.

In terms of architecture, the Bank continued to optimise infrastructure and applications and to improve and fine-tune the applications security architecture in keeping with regulatory requirements, with the usual attention to the Bank's digitalization issues.

In addition, as a consequence of the COVID-19 health emergency, it should be noted that the Group dealt with the crisis by extending remote working options for all employees also during the first half of the year.

Internal control system

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

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

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

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

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

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

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

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

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

- level one controls ("line controls"): these are controls for individual activities and are carried out according to specific operational procedures based on a specific internal regulation. Monitoring and continuously updating these processes is entrusted to 'process supervisors' who are charged with devising controls able to ensure the proper performance of daily activities by the staff concerned, as well as the observance of any delegated powers. The processes subject to control relate to units that have contact with customers, as well as completely internal units;
- level two controls: these are controls related to daily operations connected with the process of measuring risks and are carried out continuously by non-operating units. The Credit Risk Officer Department (CRO) 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[11], the Board of Statutory Auditors, the Supervisory Body set up pursuant to Legislative Decree 231/01 and the corporate control functions (Risk Management, Compliance[12], Internal Audit) as well as other company functions with specific internal control duties[13];
- procedures for the coordination of entities involved in the internal control and risk management system, which provide for:
  - cooperation and coordination among control functions, through specific information flows that are formalised in internal regulations and through managerial committees dedicated to control issues;
  - definition of information flows between the Bank's corporate bodies and control functions.

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 22 August 2019, the European Central Bank informed FinecoBank of its new status as a "less significant institution" (LSI), assigning direct supervision to the Bank of Italy.

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

In a letter (no. 0044067/20) of January 14th, 2020, the Bank of Italy announced its decision, approved by the ECB's Supervisory Board on November 18th, 2019, to include FinecoBank on the list of high-priority LSIs for the year 2020. On 25 January 2021, the LSIs High Priority classification was communicated by the Bank of Italy also for the year 2021.

Main risks and uncertainties

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

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[11] Also appointed as "Director responsible for the internal control and risk management system" in accordance with principles of the Corporate Governance Code of listed companies.

[12] This function includes the Anti Money Laundering 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.

[13] 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

With effect from January 1st, 2021, the *Chief Lending Officer Department* (CLO) has been established, transferring all the activities related to the overall lending process from the *Chief Risk Officer Department* (CRO) to the new department. The Chief Lending Officer 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 Chief Risk Officer 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.

The anti-money laundering responsibilities within the Compliance Function have also been reorganised with effect from January 1st, 2021, 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*.

The Parent Company's Organisational Model

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

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

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

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

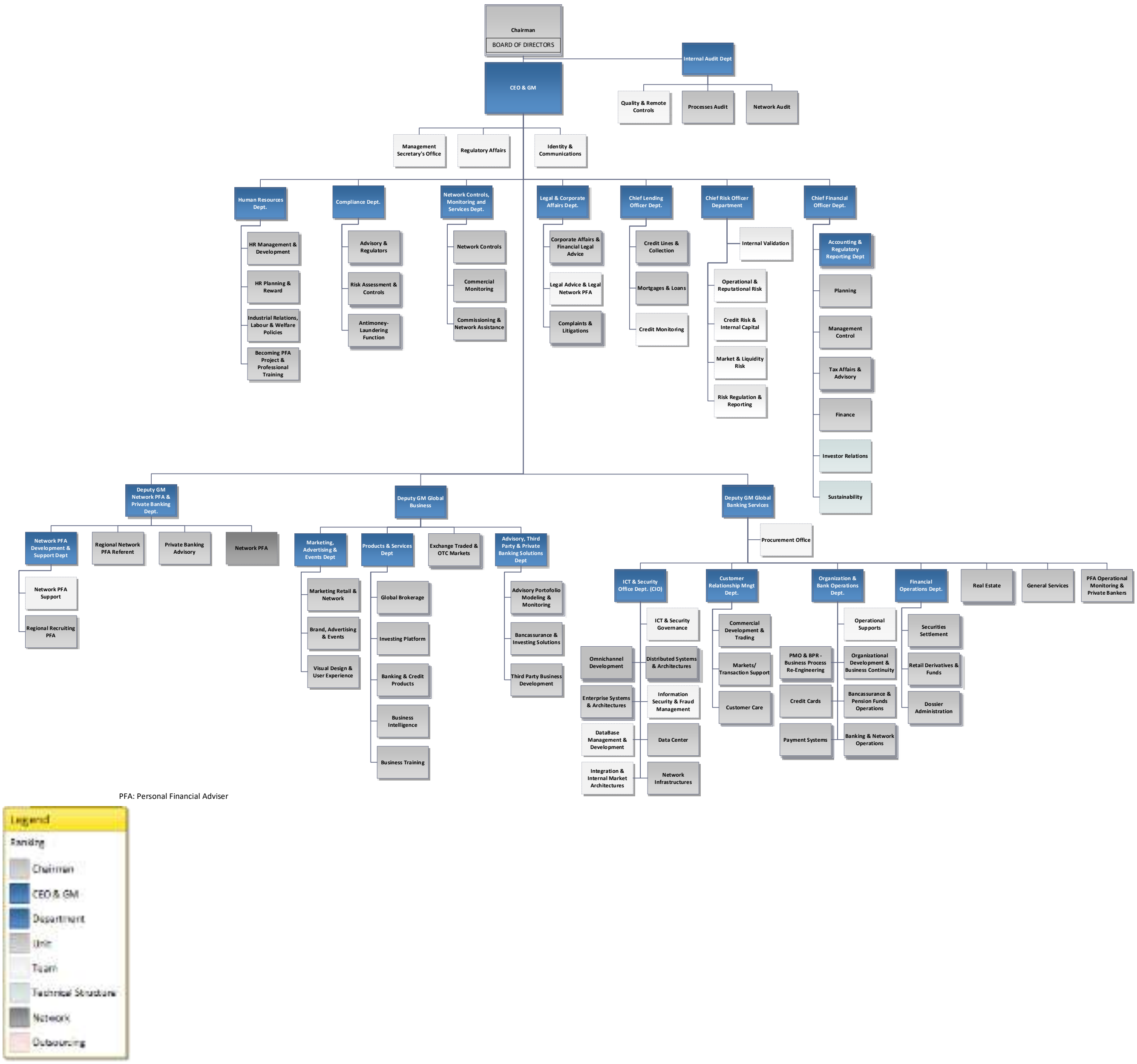
In brief:

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

The three Deputy General Managers and related Departments (Network PFA & Private Banking Department, Global Business Department e Global Banking Services Department) report to the Chief Executive Officer and General Manager, in addition to the following organizational structures: the CFO (Chief Financial Officer) Department, the CRO Department (Chief Risk Officer), the CLO Department (Chief Lending Officer), 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.

Organisational structure



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[14], 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.

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

Main balance sheet aggregates

(Amounts in € thousand)

ASSETS	Amounts as at 06/30/2021	Amounts as at 12/31/2020	Changes Amounts	Changes %
Cash and cash balances	1,562,295	1,760,348	(198,053)	-11.3%
Financial assets held for trading	21,393	16,997	4,396	25.9%
Loans and receivables with banks	691,753	780,473	(88,720)	-11.4%
Loans and receivables with customers	5,269,368	4,527,837	741,531	16.4%
Financial investments	24,626,581	23,939,899	686,682	2.9%
Hedging instruments	85,051	74,451	10,600	14.2%
Property, plant and equipment	153,030	151,872	1,158	0.8%
Goodwill	89,602	89,602	-	-
Other intangible assets	38,189	39,597	(1,408)	-3.6%
Tax assets	38,323	13,314	25,009	187.8%
Tax credits acquired	75,065	-	75,065	-
Other assets	254,110	360,627	(106,517)	-29.5%
Total assets	**32,904,760**	**31,755,017**	**1,149,743**	**3.6%**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at 06/30/2021	Amounts as at 12/31/2020	Changes Amounts	Changes %
Deposits from banks	1,172,802	1,064,859	107,943	10.1%
Deposits from customers	29,141,477	28,359,739	781,738	2.8%
Financial liabilities held for trading	4,937	5,889	(952)	-16.2%
Hedging instruments	118,586	232,102	(113,516)	-48.9%
Tax liabilities	35,666	13,954	21,712	155.6%
Other liabilities	534,610	391,349	143,261	36.6%
Shareholders' equity	1,896,682	1,687,125	209,557	12.4%
- capital and reserves	*1,681,875*	*1,366,387*	*315,488*	23.1%
- revaluation reserves	*(1,863)*	*(2,833)*	*970*	-34.2%
- net profit	*216,670*	*323,571*	*(106,901)*	-33.0%
Total liabilities and Shareholders' equity	**32,904,760**	**31,755,017**	**1,149,743**	**3.6%**

Main balance sheet aggregates

Cash and cash balances

Cash and cash balances, amounting to € 1,562.3 million, mainly includes the liquidity deposited in the HAM (Home Accounting Model) account at Bank of Italy used for short term liquidity management.

Financial assets held for trading

Financial assets held for trading totalled € 21.4 million and include financial instruments that meets the definition of held for trading, in particular:

- equities, amounting to € 14.7 million (€ 9.9 million as at December 31, 2020), held in the Bank's portfolio as a result of trading activity or used for the operational hedging of CFD positions on shares open with customers and intended to be traded in the short term;
- the positive valuation of spot contracts for securities in the held for trading portfolio and currencies to be settled in time frames established by market practices ("regular way") for € 3.4 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 CFDs (indices, shares, interest rates, commodities and forex), traded in counterpart of the customers, and futures and forex, used for the related operational hedging, for € 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	
	06/30/2021	12/31/2020	Amount	%
Loans and receivables with central banks	**283,664**	**271,500**	**12,164**	**4.5%**
Loans and receivables with banks	**408,089**	**508,973**	**(100,884)**	**-19.8%**
Current accounts and demand deposits	299,481	254,051	45,430	17.9%
Time deposits	70,242	45,367	24,875	54.8%
Other loans:	38,366	209,555	(171,189)	-81.7%
1. Reverse repos	1,183	1,122	61	5.4%
2. Others	37,183	208,433	(171,250)	-82.2%
Total	**691,753**	**780,473**	**(88,720)**	**-11.4%**

Loans and receivables with banks, amounting to € 691.8 million, show a decrease of 11.4% compare to December 31, 2020 mainly due to the growth of the variation margins with credit institutions for transactions in derivative contracts booked in the item "Other loans - Others" and in the item "Time deposits".

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

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

The item “Other loans: Others” consists of € 27.9 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 € 9.3 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	
	06/30/2021	12/31/2020	Amount	%
Current accounts	1,813,093	1,602,766	210,327	13.1%
Reverse repos	216,854	155,014	61,840	39.9%
Mortgages	2,081,407	1,668,286	413,121	24.8%
Credit cards and personal loans	758,773	733,360	25,413	3.5%
Other loans	399,241	368,411	30,830	8.4%
Total	**5,269,368**	**4,527,837**	**741,531**	**16.4%**

Loans and receivables with customers, amounting to € 5,269.4 million, up 16.4% compared to the amount as at December 31, 2020 and can be broken down as follows:

- credit facilities in current accounts of € 1,813.1 million, up 13.1%, of which loans with a security collateral (in particular "Credit Lombard") totalled to € 1,804.1 million;
- € 216.9 million in reverse repos, made by:
  - "Multiday leverage" with retail customers and stock lending transactions with transactions institutional customers, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities, for an amount of € 216.7 million;
  - repos on securities executed on MTS market subject to accounting offsetting, as set out in IAS 32, for an amount of € 0.2 million;
- € 2,081.4 million in mortgages, up 24.8 % thanks to the disbursements made in first half 2021;
- € 758.8 million in credit cards (revolving and use) and personal loans, up 3.5%;
- € 399.2 million in other loans, mainly made by collateral deposits and initial and variation margins for derivative and financial instrument transactions, for an amount of €269.1 million (€ 250 million as at December 31, 2020), and current receivables associated with the provision of financial services, for an amount of €126.9 million (€ 114.5 million as at December 31, 2020).

Main balance sheet aggregates

The portfolio of **loan receivables with ordinary customers** amounts to € 4,656.6 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 16.2% thanks to the disbursement during first half 2021 of a further € 133.6 million in personal loan and € 521.4 million in mortgages in addition to new credit facilities in current accounts for a granted amount of € 822.1 million.

(Amounts in € thousand)

Loans and Receivables with Customers (Management Reclassification)	Amounts as at		Changes	
	06/30/2021	12/31/2020	Amount	%
Current accounts	1,810,635	1,600,663	209,972	13.1%
Credit cards use	288,946	295,992	(7,046)	-2.4%
Mortgages	2,080,476	1,667,948	412,528	24.7%
Personal loans	468,915	436,497	32,418	7.4%
Other loans	3,228	3,828	(600)	-15.7%
Performing loans	*4,652,200*	*4,004,928*	*647,272*	*16.2%*
Current accounts	2,456	2,103	353	16.8%
Mortgages	932	338	594	175.7%
Credit cards use	28	34	(6)	-17.6%
Personal loans	885	837	48	5.7%
Other loans	90	67	23	34.3%
Impaired loans	*4,391*	*3,379*	*1,012*	30.0%
Loans receivable with ordinary customers	**4,656,591**	**4,008,307**	**648,284**	**16.2%**
Reverse repos	216,829	154,963	61,866	39.9%
Reverse repos - impaired	26	51	(25)	-49.0%
Collateral deposits and initial and variation margins	269,057	250,003	19,054	7.6%
Current receivables associated with the provision of financial services	126,754	114,411	12,343	10.8%
Current receivables associated with the provision of financial services - impaired	111	100	11	11.0%
Current receivables and other receivables	***612,777***	***519,528***	***93,249***	***17.9%***
Loans and receivables with customers	**5,269,368**	**4,527,835**	**741,533**	**16.4%**

Impaired assets

(Amounts in € thousand)

Category	Gross amount		Impairment provision		Net amount		Coverage ratio	
	Amount as at		Amount as at		Amount as at		Data as at	
	06/30/2021	12/31/2020	06/30/2021	12/31/2020	06/30/2021	12/31/2020	06/30/2021	12/31/2020
Bad exposures	18,681	20,843	(16,566)	(18,818)	2,115	2,025	88.7%	90.3%
Unlikely to pay	3,309	3,427	(2,214)	(2,362)	1,095	1,065	66.9%	68.9%
Past-due loans	2,320	1,219	(1,002)	(778)	1,318	441	43.2%	63.8%
Total	**24,310**	**25,489**	**(19,782)**	**(21,958)**	**4,528**	**3,531**	**81.4%**	**86.1%**

The amount of non-performing loans net of impairment losses was € 4.5 million, of which € 2.1 million in bad exposure, € 1.1 million in unlikely to pay exposures and €1.3 million in past-due loans. The impaired assets are the 0.1% of loan receivables with ordinary customers (the 0.09% as at December 31, 2020).

With reference to the Coverage ratio of past due loans, it should be noted that during the first half of 2021, certain positions represented by mortgages and current accounts guaranteed by securities were classified under past due loans, whose level of coverage, being lower than that of unsecured exposures, determined the decrease in the Coverage ratio from 63.8% at the end of 2020 to 43.2% at 30 June 2021.

Main balance sheet aggregates

Financial investments

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2021	12/31/2020	Amount	%
Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	6,838	10,988	(4,150)	-37.8%
Financial assets at fair value through other comprehensive income	143,443	143,698	(255)	-0.2%
Financial assets at amortised cost	24,476,300	23,785,213	691,087	2.9%
- financial assets at amortised cost with banks - debt securities	6,716,650	7,473,858	(757,208)	-10.1%
- financial assets at amortised cost with customers - debt securities	17,759,650	16,311,355	1,448,295	8.9%
Total	**24,626,581**	**23,939,899**	**686,682**	**2.9%**

"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 € 5.1 million, which booked a positive change in fair value in first half 2021 of € 0.5million, and of the residual equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF), amounting to € 1.2 million (of which € 0.9 million related to the Carige transaction and € 0.3 million related to Carim, Carismi and CariCesena transaction), which did not booked any significant changes in fair value in first half 2021. For further details on the exposure to the Voluntary Scheme refer to Part A - Accounting Policies – Section 5 – Other matters of the notes to the accounts.

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 measurement" at 31 December 2020 were sold during the first half of 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"[15] option was exercised. The following table shows the debt securities issued by sovereign States:

Counterparty	Amounts as at		Changes	
	06/30/2021	12/31/2020	Amount	%
France	36,637	37,275	(638)	-1.7%
USA	67,684	65,874	1,810	2.7%
Ireland	39,117	40,544	(1,427)	-3.5%
Total	**143,438**	**143,693**	**(255)**	**-0.2%**

The debt securities recorded in "Financial assets at amortized cost" issued by banks include, in particular, bonds issued by UniCredit S.p.A. for a total amount of € 4,972.6 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.

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

Main balance sheet aggregates

The debt securities recorded in "Financial assets at amortized cost" issued by customers 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 € 1,167.1 million are mainly consist of exposures to local Authorities.

(Amounts in € thousand)

Counterparty	Amounts as at		Changes	
	06/30/2021	12/31/2020	Amount	%
Italy	6,189,996	5,920,734	269,262	4.5%
Spain	4,384,163	4,321,136	63,027	1.5%
Germany	126,865	126,941	(76)	-0.1%
Poland	-	27,356	(27,356)	-100.0%
France	1,292,680	1,191,001	101,679	8.5%
USA	628,264	612,070	16,194	2.6%
Austria	518,714	520,526	(1,812)	-0.3%
Ireland	948,026	916,775	31,251	3.4%
United Kingdom	47,264	39,099	8,165	20.9%
Belgium	556,592	559,997	(3,405)	-0.6%
Portugal	388,437	393,700	(5,263)	-1.3%
Switzerland	46,217	46,662	(445)	-1.0%
Saudi Arabia	89,991	80,384	9,607	12.0%
Chile	221,414	52,668	168,746	320.4%
Israel	167,441	140,732	26,709	19.0%
China	165,326	74,494	90,832	121.9%
Latvia	29,694	-	29,694	n.a.
Qatar	23,725	-	23,725	n.a.
Iceland	14,959	-	14,959	n.a.
EFSF (European Financial Stability Facility)	401,031	401,273	(242)	-0.1%
ESM (European Stability Mechanism)	351,793	351,872	(79)	0.0%
Total	**16,592,592**	**15,777,420**	**815,172**	**5.2%**

Main balance sheet aggregates

Hedging instruments

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2021	12/31/2020	Amount	%
Asset hedging derivatives - positive valuations	51,622	393	51,229	13035.4%
Liability hedging derivatives - positive valuations	13,630	18,610	(4,980)	-26.8%
Adjustment to the value of assets under macro-hedge	19,799	55,448	(35,649)	-64.3%
Total assets	**85,051**	**74,451**	**10,600**	**14.2%**
of which:				
Positive valuations	73,420	18,770	54,650	291.2%
Accrued interest	(8,168)	231	(8,399)	-3635.9%
Adjustments to the value of hedged assets	19,799	55,448	(35,649)	-64.3%
Total assets	**85,051**	**74,449**	**10,602**	**14.2%**
Asset hedging derivatives - negative valuations	105,693	214,388	(108,695)	-50.7%
Liability hedging derivatives - negative valuations			-	#DIV/0!
Adjustment to the value of assets under macro-hedge	12,893	17,714	(4,821)	-27.2%
Total liabilities	**118,586**	**232,102**	**(113,516)**	**-48.9%**
of which:				
Negative valuations	75,512	174,441	(98,929)	-56.7%
Accrued interest	30,181	39,947	(9,766)	-24.4%
Adjustments to the value of hedged liabilities	12,893	17,714	(4,821)	-27.2%
Total liabilities	**118,586**	**232,102**	**(113,516)**	**-48.9%**

(Amounts in € thousand)

Summary of hedging derivative valuations	Assets	Liabilities	Difference
Valuation of hedging derivatives for assets and liabilities	73,420	75,512	(2,092)
Change in macro fair value hedged of assets/liabilities	19,799	12,893	6,906
Change in micro fair value hedged of financial assets/liabilities	(4,083)	-	(4,083)
Total	**89,136**	**88,405**	**731**

As at June 30, 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 € 38.3 million of negative accrued interest included in the net interest margin, was a positive amount of € 0.7 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.

(Amounts in € thousand)

Property, plant and equipment	Balance 12/31/2020	Investments 1st Half 2021	Other changes and sales 1st Half 2021	Amortisation and impairment 1st Half 2021	Balance 06/30/2021
Lands	23,932	-	-	-	23,932
Properties	107,842	10,424	(1,979)	(6,006)	110,281
Electronic equipment	13,846	1,554	-	(2,457)	12,943
Office furniture and fittings	3,092	451	-	(463)	3,080
Plant and machinery	3,159	106	(3)	(468)	2,794
Total	**151,871**	**12,535**	**(1,982)**	**(9,394)**	**153,030**

It should be noted that the Property, plant and equipment include the "right of use" relating to buildings for an amount of € 68 million (€ 64.9 million as at December 31, 2020), the "right of use" relating to plants and machinery for an amount of € 0.4 million (€ 0.4 million at December 31, 2020) and the book value of the property, where the Bank's registered office is located, located in Milan, piazza Durante 11, for an amount of € 64.4 million, including the related land for an amount of € 23.9 million (€ 65 million at December 31, 2020).

Other changes in property relate to changes in lease payments due subsequent to initial recognition, including early termination of leases.

Goodwill

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

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

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

At 30 June 2021, there were no indicators of impairment of the goodwill and Fineco brands and domains recognised in the financial statements. In this regard, it should be noted that at 30 June 2021, the Bank has assessed that the changes reasonably estimated in the forward-looking data used at 31 December 2020 are not such as to have a significant impact on the positive outcome of the impairment test carried out at that date, the results of which confirmed the sustainability of the goodwill recognised in the financial statements and did not indicate the need for an impairment loss in any of the hypothesised scenarios, confirming a value in use that is significantly higher than the carrying amount. Also the sensitivity analyses carried out on that date show that the impairment test would reach a break-even level assuming changes in the main parameters used in the valuation model that cannot be reasonably assumed at present. It should also be noted that FinecoBank's stock has a market capitalisation at 30 June 2021 of 8,966 million euros, which is significantly higher than the consolidated equity and the result of the model used for the impairment test, confirming the reasonableness of the criteria applied in calculating value in use.

For more details on the impairment test and related sensitivity analyses, please refer to Part B - Information on the consolidated balance sheet - Section 10 - Intangible assets of the notes to the consolidated accounts of the financial statements at 31 December 2020.

Main balance sheet aggregates

Other intangible assets

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

(Amounts in € thousand)

Intangibles assets	Balance 12/31/2020	Investments 1st Half 2021	Other changes and sales 1st Half 2021	Amortisation and impairment 1st Half 2021	Balance 06/30/2021
Software	11,864	1,857	-	(3,190)	10,531
Brands	27,459	-	-	-	27,459
Other intangible assets	274	-	-	(76)	198
Total	**67,056**	**1,857**	**-**	**(3,266)**	**38,188**

Tax credits acquired

Tax credits acquired includes the carrying amount of tax credits purchased by the Parent Company related to the "Cura Italia" and "Rilancio" Decree-Laws.

Main balance sheet aggregates

Tax Assets and Other Assets

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2021	12/31/2020	Amount	%
Tax assets				
Current assets	-	5,165	(5,165)	-100.0%
Deferred tax assets	39,262	28,859	10,403	36.0%
Deferred tax assets pursuant to Law 214/2011	2,772	3,300	(528)	-16.0%
Total before IAS 12 offsetting	*42,034*	*37,324*	*4,710*	*12.6%*
Offsetting with deferred tax liabilities - IAS 12	(3,711)	(24,010)	20,299	-84.5%
Total Tax assets	**38,323**	**13,314**	**25,009**	**187.8%**
Other assets				
Trade receivables according to IFRS15	3,900	3,603	297	8.2%
Current receivables not related with the provision of financial services	481	2,359	(1,878)	-79.6%
Improvement and incremental expenses incurred on leasehold assets	5,669	6,361	(692)	-10.9%
Definitive items not recognised under other items	33,199	21,223	11,976	56.4%
- securities and coupons to be settled	13,273	1,135	12,138	1069.4%
- other transactions	19,926	20,088	(162)	-0.8%
Tax items other than those included in the item "Tax assets"	108,394	258,997	(150,603)	-58.1%
- tax advances	103,463	254,480	(151,017)	-59.3%
- tax credit	4,931	4,486	445	9.9%
- tax advances on employee severance indemnities	-	31	(31)	-100.0%
Items awaiting settlement	6,419	2,627	3,792	144.3%
- notes, cheques and other documents	6,419	2,627	3,792	144.3%
Items in processing	33	9	24	266.7%
Items in transit not allocated to relevant accounts	25	14	11	78.6%
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	22,634	34,738	(12,104)	-34.8%
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	73,356	30,696	42,660	139.0%
Total other assets	**254,110**	**360,627**	**(106,517)**	**-29.5%**

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**, after IAS 12 offsetting, is mainly due is mainly due to the effect arising from the goodwill realignment transaction under Article 110 of Decree-Law 104 of 14 August 2020. As a result of the realignment transaction, deferred tax assets of € 10.2 million were recognised and deferred tax liabilities of € 24.5 million were cancelled. In addition, deferred tax assets on the estimated Patent Box benefit for the first half of 2021 amounting to € 2.2 million were recognised.

With regard to **Other assets**, it should be noted that as at 30 June 2021, prepaid expenses relating to the extraordinary incentive scheme granted by the Bank to personal financial advisors joining the Network have been booked into the item “Accrued income and prepaid expenses related to contracts with customers other than those capitalised in related financial assets or liabilities”, while up to December 31, 2020 they were booked into the item “Accrued income and prepaid expenses related to contracts with customers other than those capitalised in related financial assets or liabilities” , amounting to € 19.5 million.

The increase in the item “Accrued income and prepaid expenses related to contracts with customers other than those capitalised in related financial assets or liabilities” is mainly due to the above mentioned representation of the prepaid expenses relating to the extraordinary incentive scheme granted by the Bank to personal financial advisors joining the Network and to the increase in prepaid expenses relating to incentive plans for personal financial advisors.

Main balance sheet aggregates

With regard to the item "Accrued income and prepaid expenses related to contracts with customers other than those capitalised in related financial assets or liabilities", without taking into account the above-mentioned different representation, the item would show an increase of €7.4 million due to higher prepaid expenses related to administrative expenses.

There is also an increase in "Definitive items not recognised under other items " item, for € 12.2 million, and in "Items awaiting settlement - bills, cheques and other documents", for € 3.8 million, both related to customer transactions while there was a significant reduction in "Tax items other than those charged to "Tax assets", for an amount of € 150.6 million, mainly due to lower advances paid, in their capacity as withholding agents, for the substitute tax on miscellaneous income.

Deposits from banks

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2021	12/31/2020	Amount	%
Deposits from central banks	**1,039,569**	**949,604**	**89,965**	**9.5%**
Deposits from banks	**133,233**	**115,255**	**17,978**	**15.6%**
Current accounts and demand deposits	62,572	43,317	19,255	44.5%
Loans	58,024	53,422	4,602	8.6%
-Repos	58,024	53,422	4,602	8.6%
Lease liabilities	4,093	4,225	(132)	-3.1%
Other liabilities	8,544	14,291	(5,747)	-40.2%
Total	**1,172,802**	**1,064,859**	**107,943**	**10.1%**

Deposits from banks amount to € 1,172.8 million and show an increase of € 107.9 million compared to December 31, 2020, mainly attributable to the liquidity received from the Central Bank in the context of 7th tranche of the TLTRO III program for an amount of € 95 million.

The item "Deposits from central banks" only includes the deposit received by the Central Bank under the TLTRO III programme.

The item “Current accounts and demand deposits” mainly consisted of current accounts opened by customer banks worth € 59.9 million (€ 42.6 million as at December 31, 2020).

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

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

The item “Other liabilities” mainly includes margin variations received for derivative transactions and securities lending transactions for an amount of € 8.5 million (€ 14.2 million as at December 31, 2020).

Deposits from customers

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2021	12/31/2020	Amount	%
Current accounts and demand deposits	28,312,993	28,033,748	279,245	1.0%
Time deposits	31	213	(182)	-85.4%
Loans	583,880	103,584	480,296	463.7%
- Repos	583,880	103,584	480,296	463.7%
Lease liabilities	65,671	61,988	3,683	5.9%
Other liabilities	178,902	160,206	18,696	11.7%
Deposits from customers	**29,141,477**	**28,359,739**	**781,738**	**2.8%**

Main balance sheet aggregates

Deposits from customers totalled € 29,141.5 million, up 2.8% compared to December 31, 2020 and mainly consisting of current accounts with customers.

"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 € 95.4 million;
- repos on securities executed on MTS market subject to accounting offsetting as set out in IAS 32, for an amount of € 488.5 million.

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

The item "Other liabilities" comprises current payables related to the provision of financial services, totalling € 55.9 million (€ 54.5 million as at December 31, 2020), initial and variations margins for derivative and financial instrument transactions, which came to € 55.6 million (€ 47.9 million as at December 31, 2020) and other liabilities for rechargeable credit cards and bankers' drafts, amounting to € 67.4 million (€ 57.8 million at December 31, 2020).

Financial liabilities held for trading

Financial liabilities held for trading totalled € 4.9 million and include financial instruments that meets the definition of held for trading, in particular:

- technical overdrafts, amounting to € 0.2 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 € 3.1 million (€ 3.6 million as at December 31, 2020), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the negative valuation of CFDs (indices, shares, interest rates, commodities and forex) and issued Knock Out Options, traded in counterpart of the customers, and futures, used for the related management coverage, for € 1.6 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.

Main balance sheet aggregates

Tax liabilities and Other liabilities

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2021	12/31/2020	Amount	%
Tax liabilities				
Current liabilities	35,666	10,204	25,462	249.5%
Deferred tax liabilities	3,711	27,759	(24,048)	-86.6%
Total before IAS 12 offsetting	*39,377*	*37,963*	*1,414*	*3.7%*
Offset against deferred tax liabilities - IAS 12	(3,711)	(24,010)	20,299	-84.5%
Total Tax liabilities	**35,666**	**13,953**	**21,713**	**155.6%**
Other liabilities				
Payables to Directors and Statutory auditors	190	224	(34)	-15.2%
Payables to employees	15,827	14,400	1,427	9.9%
Social security contributions payable	6,351	7,012	(661)	-9.4%
Current payables not related with the provision of financial services	28,989	32,889	(3,900)	-11.9%
Payables for share-based payments or shares of the Parent Company	47	47	-	0.0%
Definitive items not recognised under other items	225,009	49,338	175,671	356.1%
- securities and coupons to be settled	25,134	11,513	13,621	118.3%
- payment authorisations	186,361	28,777	157,584	547.6%
- other items	13,514	9,048	4,466	49.4%
Tax items other than those included in the item "Tax liabilities"	28,840	48,532	(19,692)	-40.6%
- sums withheld from third parties as withholding agent	25,505	37,519	(12,014)	-32.0%
- other	3,335	11,013	(7,678)	-69.7%
Illiquid items for portfolio transactions	12,697	23,273	(10,576)	-45.4%
Items awaiting settlement	83,586	83,525	61	0.1%
- outgoing bank transfers	83,535	83,522	13	0.0%
- POS and ATM cards	51	3	48	1600.0%
Items in processing	299	662	(363)	-54.8%
- incoming bank transfers	236	647	(411)	-63.5%
- other items in processing	63	15	48	320.0%
Current payables not related with the provision of financial services	152	160	(8)	-5.0%
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	14,144	9,731	4,413	45.4%
Sums available to be paid to customers	5,296	3,991	1,305	32.7%
Provisions for employee severance pay	4,941	4,924	17	0.3%
Provisions for risks and charges	108,242	112,641	(4,399)	-3.9%
Total Other liabilities	**534,610**	**391,349**	**143,261**	**36.6%**

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 consolidated balance sheet.

The **Tax liabilities**, after IAS 12 offsetting, mainly represented by current tax liabilities of € 35.6 million. Deferred tax liabilities mainly refer to the recognition of deferred taxes on the tax amortisation of the Fineco brand for € 1.2 million and on the positive valuation of HTCS securities for € 0.9 million.

With regard to **Other liabilities**, there was an increase in " Definitive items not recognised under other items - securities and coupons to be settled", for an amount of € 13.6 million, and in "Definitive items not recognised under other items - payment authorizations", for an amount of € 157.6 million, both related to customer transactions, partially offset by the decrease in "Tax items other than those included in the item "Tax liabilities" - amounts withheld from third parties as withholding agent", for an amount of € 19.7 million and by the decrease in “Illiquid items for portfolio transactions” for an amount of € 10.6 million.

Main balance sheet aggregates

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 € 0.1 million (€ 0.06 million as at December 31, 2020);
- Provisions for risks and charges - Other provisions which include allowances for a total of € 108.1 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. It should also be noted that the provision for risks and charges includes €1.5 million relating to indemnities and refunds to be paid to customers for costs wrongly charged. The disbursements, whose estimated maturity is over 18 months, have been discounted using the rate representing the financial value of time.

(Amounts in € thousand)

	Amounts as at		Changes	
	06/30/2021	12/31/2020	Amount	%
Provision for risks and charges for commitments and financial guarantees given	**96**	**61**	**35**	**57.4%**
Legal and fiscal disputes	**28,510**	**28,363**	**147**	**0.5%**
- Pending cases	20,857	20,518	339	1.7%
- Complaints	3,917	4,109	(192)	-4.7%
- Tax disputes	3,736	3,736	-	0.0%
Staff expenses	**2,750**	**5,088**	**(2,338)**	**-46.0%**
Other	**76,886**	**79,129**	**(2,243)**	**-2.8%**
- Supplementary customer indemnity provision	73,573	73,136	437	0.6%
- provision for contractual payments and payments under non-competition agreements	412	416	(4)	-1.0%
- Other provision	2,901	5,577	(2,676)	-48.0%
Provision for risks and charges - Other provision	**108,146**	**112,580**	**(4,434)**	**-3.9%**
Total provision for risks and charges	**108,242**	**112,641**	**(4,399)**	**-3.9%**

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	
	06/30/2021	12/31/2020	Amount	%
Share capital	201,267	201,153	114	0.1%
Share premium reserve	1,934	1,934	-	0.0%
Reserves	980,114	664,492	315,622	47.5%
- Legal reserve	40,253	40,229	24	0.1%
- Extraordinary reserve	883,480	571,229	312,251	54.7%
- Treasury shares reserve	1,440	1,189	251	21.1%
- Other reserves	54,941	51,845	3,096	6.0%
(Treasury shares)	(1,440)	(1,189)	(251)	21.1%
Revaluation reserves	(1,863)	(2,833)	970	-34.2%
Equity instruments	500,000	500,000	-	0.0%
Net profit (Loss) for the year	216,670	323,571	(106,901)	-33.0%
Total	**1,896,682**	**1,687,128**	**209,554**	**12.4%**

As at June 30, 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 € 883.5 million;
- Reserve for treasury shares held, amounting to € 1.4 million;
- Other reserves:
  - Reserve related to equity-settled plans, amounting to € 33.2 million;
  - Reserves from profits of the subsidiary Fineco AM, 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[16], issued for a total of € 200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%. During first half 2021 the payment of the related coupon had been accounted for in decrease of the Extraordinary reserve for € 3.5 million, net of the related taxation;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of € 300 million. The coupon for the first 5 years has been fixed at 5.875%. During first half 2021 the coupons paid were accounted for as a reduction in Extraordinary Reserve for an amount of € 6.4 million, net of related taxes.

As at June 30, 2021, the Group, specifically 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 € 1.4 million.

During the first half 2021 n. 55,000 shares, for an amount of € 0.8 million were purchased in relation to the “2020 PFA Incentive System” for personal financial advisors identified as “Key personnel” 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". As a result, the treasury shares reserve was increased by a total of €0.3 million, with a simultaneous reduction in the extraordinary reserve.

[16] Unrated and unlisted.

Main balance sheet aggregates

The Revaluation reserves consisted of:

- € 1.8 million from the net positive reserve from valuation of debt securities issued by central governments recognized in the "Financial assets designated at fair value through other comprehensive income", which recorded a decreased by € 0.6 million during the first half 2021, fully relating to the negative change in fair value accounted for in the period;
- € 3.6 million from the IAS19 negative reserve, which recorded a positive change of € 1.6 million during first half 2021 as a result of the recognition of actuarial gains mainly attributable to the for the Supplementary customer indemnity.

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 which led to an increase in the share capital:

- 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 fourth tranche of the Plan, assigned in 2018, and consequently an increase in Share capital for a total amount of € 0.3 million 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 second tranche of the 2018 and of the first tranche of the 2019 Incentive System, and consequently an increase in Share capital for a total amount of € 0.08 million with effect from 31 March 2021.

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.

With regard to the formulation of the proposal for the allocation of profit for the year, it is necessary to recall that on 15 December 2020 the European Central Bank adopted Recommendation ECB/2020/62, published in the Official Journal of the European Union on 18 December 2020 (repealing Recommendation ECB/2020/35 of 27 July 2020) concerning the policies on dividend distributions and share buybacks that credit institutions and significant supervised groups should adopt in the economic environment burdened by the COVID-19 emergency, underlining the importance of continuing to take a prudent approach to dividend distributions or share buybacks to remunerate shareholders. In a Press Release of 16 December 2020, Bank of Italy expressed its decision to maintain an extremely prudent approach, in line with the approach adopted by the European Central Bank for significant banks, in order to safeguard banks' ability to absorb losses and lend to support the economy. In particular, Bank of Italy has recommended that less significant Italian banks maintain a prudent approach until 30 September 2021:

- to refrain from recognising or paying dividends or to limit the amount of dividends to no more than 15% of 2019-2020 accumulated profits or 20 basis points of the CET1 ratio (whichever is lower);
- to refrain from recognising or paying interim dividends out of profits in 2021;
- to exercise extreme prudence in the recognition of variable remuneration.

Considering the above, FinecoBank's Shareholders' Meeting of 28 April 2021, on the proposal of the Board of Directors, approved the allocation of FinecoBank S.p.A.'s profit for the 2020 financial year, amounting to € 323.1 million, as follows:

- to the Legal Reserve for € 0.02 million, equal to 0.007% of the profit for the year having the reserve reached one-fifth of the share capital;
- to the Extraordinary Reserve for € 322.5 million;
- to the unavailable reserve pursuant to Article 6, paragraph 1, letter a) of Legislative Decree 38/2005 for €0.6 million.

As reported in "Significant events during the period", it should be noted that on 23 July 2021, the European Central Bank decided not to extend beyond September 2021 its recommendation to all banks to limit dividends. Instead, supervisors will resume assessing each bank's capital and dividend plans as part of the regular supervisory process. In this context, the Bank of Italy has also published a new recommendation on banks' dividend distribution and variable remuneration policies that repeals the Recommendation of 16 December 2020. In line with the decision taken by the European Central Bank, considering that the latest macroeconomic projections show signs of improvement in the economy, Bank of Italy will return to adopting the criteria for capital assessment and dividend distribution and share repurchase plans by banks as part of the ordinary SREP process. However, the recommendation on dividends remains applicable until 30 September 2021, so decisions on dividend payout are expected to be taken in the fourth quarter of 2021.

The "Reserve related to equity-settled plans" was increased by around € 2.6 million, due to the recognition during the period of the income statement and balance sheet effects of the payment plans based on FinecoBank ordinary shares during the vesting period for the instruments, and was used of about € 0.6 million, following the allotment to personal financial advisors of the tranches of the "2016 PFA Incentive System", of the "2017 PFA Incentive System", of the "2018 PFA PLAN" and of the "2019 PFA PLAN", for a total of 52,068 of FinecoBank' ordinary shares.

Main balance sheet aggregates

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

(Amounts in € thousand)

Description	Shareholders' Equity 06/30/2021	of which: Net Profit 06/30/2021
FinecoBank balances as at (Equity)	**1,863,528**	**199,571**
Effect of consolidation of Fineco AM (Equity)	46,858	30,803
Dividends from Fineco AM cashed in the period (Equity)	(13,704)	(13,704)
Shareholders' equity and profit attributable to minorities (Equity)	-	-
Balances attributable to the Group	**1,896,682**	**216,670**

Income Statement Figures

Consolidated Income Statement

(Amounts in € thousand)

	1st half		Changes	
	2021	2020	Amounts	%
Financial margin	147,897	147,050	847	0.6%
of which Net interest	124,338	138,229	(13,891)	-10.0%
of which Profits from Treasury	23,559	8,821	14,738	167.1%
Net fee and commission income	214,346	194,539	19,807	10.2%
Net trading, hedging and fair value income	40,571	47,661	(7,090)	-14.9%
Net other expenses/income	644	1,392	(748)	-53.7%
REVENUES	**403,458**	**390,642**	**12,816**	**3.3%**
Staff expenses	(52,884)	(48,893)	(3,991)	8.2%
Other administrative expenses	(128,028)	(108,138)	(19,890)	18.4%
Recovery of expenses	67,470	52,263	15,207	29.1%
Impairment/write-backs on intangible and tangible assets	(12,662)	(12,268)	(394)	3.2%
Operating costs	**(126,104)**	**(117,036)**	**(9,068)**	**7.7%**
OPERATING PROFIT (LOSS)	**277,354**	**273,606**	**3,748**	**1.4%**
Net impairment losses on loans and provisions for guarantees and commitments	(1,688)	(3,670)	1,982	-54.0%
NET OPERATING PROFIT (LOSS)	**275,666**	**269,936**	**5,730**	**2.1%**
Other charges and provisions	(14,023)	(7,636)	(6,387)	83.6%
Net income from investments	1,239	(3,818)	5,057	132.5%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**262,882**	**258,482**	**4,400**	**1.7%**
Income tax for the period	(46,212)	(78,308)	32,096	-41.0%
PROFIT (LOSS) FOR THE PERIOD	**216,670**	**180,174**	**36,496**	**20.3%**
NET PROFIT (LOSS) ATTRIBUTABLE TO THE GROUP	**216,670**	**180,174**	**36,496**	**20.3%**

Financial margin

Financial margin amounted to € 147.9 million, up 0.6% compared to the first half of the previous year.

Net interest decreased by € 13.9 million on the first half of previous year due mainly to the expansionary policies of the European Central Bank, which led to a fall in market rates and a reduction in credit spreads. The reduction was also due to new investments in government bonds that replaced part of the UniCredit S.p.A. bonds that had reached natural maturity and had been subscribed to in a more favourable market context. This decrease was partially offset by the positive contribution made by the increase in volumes, the increase in lending activity and the income generated by the securities lending activity carried out by the Parent Company's treasury, which is also included in the item Net interest. In this regard it should be noted that the structure of the investments carried out by the Group contributed to maintaining a significant level of interest income, with the average gross margin on interest-earning assets at 0.81% (1.06% as at June 30, 2020).

Profits from Treasury amounted to € 23.6 million and exclusively include the profits generated from the sale of securities recognised in "Financial assets at amortised cost" (€ 7 million in the first half of 2020, in addition to € 1.8 million generated from the sale of securities recognised in "Financial assets at fair value through other comprehensive income"). In particular, these profits are realised on financial instruments nearing maturity or sold as part of portfolio rebalancing actions. The sales took place in accordance with IFRS 9 and in application of the rules defined for the HTC business model.

Income Statement Figures

(Amounts in € thousand)

Interest Income	1st Half		Changes	
	2021	2020	Amount	%
Financial assets at fair value through comprehensive income	499	794	(295)	-37.2%
Other financial assets mandatorily at fair value	2	1	1	100.0%
Financial assets at amortised cost - Debt securities issued by banks	33,956	55,205	(21,249)	-38.5%
Financial assets at amortised cost - Debt securities issued by customers	65,242	62,323	2,919	4.7%
Financial assets at amortised cost - Loans and receivables with banks	71	343	(272)	-79.3%
Financial assets at amortised cost - Loans and receivables with customers	35,299	32,133	3,166	9.9%
Hedging derivatives	(16,194)	(8,880)	(7,314)	82.4%
Other assets	260	-	260	n.a.
Financial liabilities	6,322	2,324	3,998	172.0%
Other financial margins from Treasury activities	2,514	830	1,684	202.9%
Total interest income	**127,971**	**145,073**	**(17,102)**	**-11.8%**

(Amounts in € thousand)

Interest Expenses	1st Half		Changes	
	2021	2020	Amount	%
Financial liabilities at amortised cost - Deposits from banks	(106)	(116)	10	-8.6%
Financial liabilities at amortised cost - Deposits from customers	(834)	(5,266)	4,432	-84.2%
Financial assets	(2,693)	(1,462)	(1,231)	84.2%
Total interest expenses	**(3,633)**	**(6,844)**	**3,211**	**-46.9%**
Net interest	**124,338**	**138,229**	**(13,891)**	**-10.0%**
Profits from Treasury management	**23,559**	**8,821**	**14,738**	**167.1%**
Financial margin	**147,897**	**147,050**	**847**	**0.6%**

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

Interest income on Financial assets measured at amortized cost - Debt securities issued by customers 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.

Interest income recognised on Other assets relates to interest earned on purchased tax credits.

Interest income on financial liabilities mainly refer to interest accrued on the TLTRO III transaction, amounting to € 5 million and interest recognized on repurchase agreements carried out on the MTS market.

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

Interest expenses on financial assets mainly refer to interest recognized on initial margins and guarantee deposits paid for operations in derivatives and on financial markets, to interest recognised on own securities and interest recognised on the deposit with the Bank of Italy.

Income Statement Figures

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

(Amounts in € thousand)

Breakdown of interest income	1st Half		Changes	
	2021	2020	Amount	%
Interest income on loans and receivables with banks	**71**	**343**	**(272)**	**-79.3%**
- current accounts	1	-	1	n.a.
- reverse repos	-	13	(13)	-100.0%
- time deposits	40	-	40	n.a.
- other loans	30	330	(300)	-90.9%
Interest income on loans and receivables with customers	**35,299**	**32,132**	**3,167**	**9.9%**
- current accounts	7,519	6,988	531	7.6%
- reverse repos	7,365	5,318	2,047	38.5%
- mortgages	9,883	8,596	1,287	15.0%
- credit cards	1,982	2,338	(356)	-15.2%
- personal loans	8,529	8,859	(330)	-3.7%
- other loans	21	33	(12)	-36.4%

Interest income on loans and receivables with banks amounted to € 0.07 million, down € 0.3 million compared to the first half 2020. The decrease was mainly attributable to lower interest on current accounts held with credit institutions in currency different from euro.

Interest income on loans and receivables with customers amounted to € 35.3 million, showing an increase of 9.9% compared to the the first half of the previous year, thanks to higher interest on mortgages and overdraft facilities of current account, partially offset by the reduction in the interest income on personal loans and in the reverse repo transactions, in particular "Multiday leverage" transactions.

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

(Amounts in € thousand)

Breakdown of interest expenses	1st Half		Changes	
	2021	2020	Amount	%
Interest expenses on deposits from banks	**(106)**	**(116)**	**10**	**-8.6%**
- current accounts	(50)	(44)	(6)	13.6%
- other loans	(10)	(13)	3	-23.1%
- lease liabilities	(46)	(59)	13	-22.0%
Interest expenses on deposits from customers	**(834)**	**(5,266)**	**4,432**	**-84.2%**
- current accounts	(389)	(4,788)	4,399	-91.9%
- time deposits	-	(3)	3	-100.0%
- lease liabilities	(445)	(475)	30	-6.3%

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

Interest expenses on deposits from customers amounted to € 0.8 million, down by 84.2% compared to the first half of the previous year, thanks to lower interest expenses on customer current accounts.

Income Statement Figures

Income from brokerage and other income

(Amounts in € thousand)

	1st Half		Changes	
	2021	2020	Amounts	%
Financial margin	147,897	147,050	847	0.6%
Net fee and commission income	214,346	194,539	19,807	10.2%
Net trading, hedging and fair value income	40,571	47,661	(7,090)	-14.9%
Net other expenses/income	644	1,392	(748)	-53.7%
REVENUES	**403,458**	**390,642**	**12,816**	**3.3%**

Net fee and commission income

(Amounts in € thousand)

Management reclassification	1st Half		Changes	
	2021	2020	Amount	%
Brokerage	**69,674**	**74,622**	**(4,948)**	**-6.6%**
of which:				
- Equity	60,729	60,989	(260)	-0.4%
- Bond	3,076	4,827	(1,751)	-36.3%
- Derivatives	5,107	8,222	(3,115)	-37.9%
- Other commissions	762	584	178	30.6%
Investing	**122,240**	**99,690**	**22,550**	**22.6%**
of which:				
- Placement fees	3,853	3,056	796	26.1%
- Management fees	150,938	120,767	30,171	25.0%
- Other to PFA	635	-	635	n.a
- Other to PFA	(33,186)	(24,134)	(9,052)	37.5%
Banking	**22,697**	**20,636**	**2,061**	**10.0%**
Other	**(265)**	**(408)**	**143**	**-35.0%**
Total	**214,346**	**194,539**	**19,806**	**10.2%**

Net commissions increased by € 19.8 million compared to the first half of previous year, mainly due to the fees and commissions generated by the Investing segment (+€ 22.6 million), and in particular to the greater contribution of Fineco AM, which recorded volume growth of 43% compared to the 28% growth recorded in the asset management segment. In addition, it should be noted that the increase in net fee and commission income generated by the Banking segment (+10% y/y), thanks to the contribution of current account fees and payment card fees.

Net trading, hedging and fair value income was mainly generated by profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency; it was down € 7.1 million compared to the first half of previous year. In this context it should be noted that the increase in number of customers operating on the Bank's platform, the expansion of its market share and the review of its offerings partially offset the extremely positive results recorded in the first half of 2020, thanks to the highly volatile market environment, which had led to an increase in internalised volumes of over 180%.

This result also includes the income components from financial instruments recognised under “Other financial assets mandatorily at fair value”, which include the Visa INC (Class “C” and Class “A”, the latter sold during the first half of 2021) preferred shares, which generated profit amounting to € 0.8 million (+€ 0.06 million in the first half 2020), No significant change was recorded in the first half of 2021 with respect to the equity exposure to the Voluntary Scheme established by the National Interbank Deposit Guarantee Fund (-€ 1.2 million in first half 2020).

Net other expenses/income is positive for € 1.3 million and do not show significant changes compared to the same period of the previous year.

Income Statement Figures

Operating costs

(Amounts in € thousand)

	1st Half		Changes	
	2021	2020	Amount	%
Staff expenses	(52,884)	(48,893)	(3,991)	8.2%
Other administrative expenses	(128,028)	(108,138)	(19,890)	18.4%
Recovery of expenses	67,470	52,263	15,207	29.1%
Impairment/write-backs on intangible and tangible assets	(12,662)	(12,268)	(394)	3.2%
Total operating costs	**(126,104)**	**(117,036)**	**(9,068)**	**7.7%**

Operating costs show an increase compared to the first half of the previous year (+7.7%), growth that is however contained with respect to the expansion of activities, assets, customers, structure and staff, confirming the Group's strong operating leverage and the widespread corporate culture in terms of cost governance.

Staff expenses amounted to € 52.9 million, of which € 3.3 million relating to staff expenses of Fineco AM, increasing by 8.2% compared to the first half of previous year, thanks to continuous growth of the operating structure. In fact, the number of employees rose from 1,244 units as at June 30, 2020 to 1,280 resources as at June 30, 2021.

(Amounts in € thousand)

Staff expenses	1st Half		Changes	
	2021	2020	Amount	%
1) Employees	**(51,811)**	**(47,985)**	**(3,826)**	**8.0%**
- wages and salaries	(35,533)	(32,380)	(3,153)	9.7%
- social security contributions	(8,864)	(8,483)	(381)	4.5%
- provision for employee severance pay	(374)	(434)	60	-13.8%
- allocation to employee severance pay provision	(85)	(33)	(52)	157.6%
- payment to supplementary external pension funds:	(2,525)	(2,181)	(344)	15.8%
a) defined contribution	(2,525)	(2,181)	(344)	15.8%
- costs related to share-based payments*	(2,151)	(1,881)	(270)	14.4%
- other employee benefits	(2,279)	(2,593)	314	-12.1%
2) Directors and statutory auditors	**(1,072)**	**(818)**	**(254)**	**31.1%**
3) Recovery of expenses for employees seconded to other companies	**3**	**1**	**2**	**200.0%**
4) Recovery of expenses for employees seconded to the company	**(4)**	**(91)**	**87**	**-95.6%**
Total staff expenses	**(52,884)**	**(48,893)**	**(3,991)**	**8.2%**

Income Statement Figures

(Amounts in € thousand)

Other Administrative Expenses and Recovery of expenses	1st Half		Changes	
	2021	2020	Amount	%
1) INDIRECT TAXES AND DUTIES	**(70,307)**	**(55,330)**	**(14,977)**	**27.1%**
2) MISCELLANEOUS COSTS AND EXPENSES				
A) Advertising expenses - Marketing and communication	**(11,370)**	**(10,189)**	**(1,181)**	**11.6%**
Mass media communications	(10,002)	(9,030)	(972)	10.8%
Marketing and promotions	(1,187)	(893)	(294)	32.9%
Sponsorships	(174)	(219)	45	-20.5%
Conventions and internal communications	(7)	(47)	40	-85.1%
B) Expenses related to credit risk	**(764)**	**(644)**	**(120)**	**18.6%**
Credit recovery expenses	(174)	(107)	(67)	62.6%
Commercial information and company searches	(590)	(537)	(53)	9.9%
C) Expenses related to personnel	**(1,514)**	**(2,173)**	**659**	**-30.3%**
Personnel training	(279)	(253)	(26)	10.3%
Car rental and other staff expenses	(55)	(11)	(44)	400.0%
Personal financial advisors expenses	(1,105)	(1,689)	584	-34.6%
Travel expenses	(47)	(192)	145	-75.5%
Premises rentals for personnel	(28)	(28)	-	0.0%
D) ICT expenses	**(23,797)**	**(20,977)**	**(2,820)**	**13.4%**
Lease of ICT equipment and software	(1,568)	(1,473)	(95)	6.4%
Software expenses: lease and maintenance	(5,946)	(5,448)	(498)	9.1%
ICT communication systems	(2,904)	(3,713)	809	-21.8%
Consultancy and ICT services provided by third parties	(6,343)	(3,745)	(2,598)	69.4%
Financial information providers	(7,036)	(6,598)	(438)	6.6%
E) Consultancies and professional services	**(2,275)**	**(1,907)**	**(368)**	**19.3%**
Consultancies and professional services on ordinary activities	(1,865)	(1,616)	(249)	15.4%
Consultancies and professional services for strategy, business development and organisational optimisation	(313)	(154)	(159)	103.2%
Legal expenses	(43)	(70)	27	-38.6%
Legal disputes	(54)	(67)	13	-19.4%
F) Real estate expenses	**(2,587)**	**(2,382)**	**(205)**	**8.6%**
Real estate services	-	(84)	84	-100.0%
Repair and maintenance of furniture, machinery, and	(160)	(79)	(81)	102.5%
Maintenance of premises	(519)	(524)	5	-1.0%
Premises rentals	(443)	(483)	40	-8.3%
Cleaning of premises	(252)	(313)	61	-19.5%
Utilities	(1,213)	(899)	(314)	34.9%
G) Other functioning costs	**(14,289)**	**(13,502)**	**(787)**	**5.8%**
Surveillance and security services	(141)	(99)	(42)	42.4%
Postage and transport of documents	(1,761)	(1,534)	(227)	14.8%
Administrative and logistic services	(8,520)	(7,718)	(802)	10.4%
Insurance	(1,937)	(1,815)	(122)	6.7%
Printing and stationery	(225)	(258)	33	-12.8%
Association dues and fees	(985)	(993)	8	-0.8%
Other administrative expenses	(720)	(1,085)	365	-33.6%
H) Adjustments of leasehold improvements	**(1,125)**	**(1,034)**	**(91)**	**8.8%**
I) Recovery of costs	**67,470**	**52,263**	**15,207**	**29.1%**
Recovery of ancillary expenses	23	50	(27)	-54.0%
Recovery of taxes	67,447	52,213	15,234	29.2%
Total other administrative expenses and recovery of expenses	**(60,558)**	**(55,875)**	**(4,683)**	**8.4%**

Other administrative expenses net of **Recovery of expenses** came to € 60.6 million, with an increase of € 4.7 million compared to the first half of previous year.

Income Statement Figures

In particular, the following main items are highlighted:

- “Advertising expenses - Marketing and communication” for € 1.2 million;
- “ICT expenses” for € 2.8 million, referred to higher “Software expenses: lease and maintenance” for € 0.5 million, “Consultancy and ICT services provided by third parties” for € 2.6 million, “Financial information providers” for € 0.4 million and “ICT communication systems” for € 0.8 million;
- "Other functioning costs" for € 0.9 million, mainly due to the increase in the item "Administrative and logistic services" for € 0.8 million.

It should be noted that the item "Indirect taxes and duties" net of "Tax recoveries" does not show significant changes compared to the same period last year.

Impairment/write-backs on intangible and tangible assets amounted to € 12.7 million and do not show any significant changes compared to same period of previous year.

Profit/(loss) before tax from continuing operations

(Amounts in € thousand)

	1st Half		Changes	
	2021	2020	Amount	%
OPERATING PROFIT (LOSS)	**277,354**	**273,606**	**3,748**	**1.4%**
Net impairment losses on loans and provisions for guarantees and commitments	(1,688)	(3,670)	1,982	-54.0%
NET OPERATING PROFIT (LOSS)	**275,666**	**269,936**	**5,730**	**2.1%**
Other charges and provisions	(14,023)	(7,636)	(6,387)	83.6%
Net income from investments	1,239	(3,818)	5,057	-132.5%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**262,882**	**258,482**	**4,400**	**1.7%**

Net write-downs of loans and provisions for guarantees and commitments in first half 2021 amounted to -€ 1.7 million (-€ 3.7 million in first half 2020) and were affected by the change in the macroeconomic scenarios used in the calculation of LLPs at 30 June 2021 for Expected Credit Losses. As described above, in the valuation of performing credit exposures at 30 June 2021, the Group considered the macroeconomic scenarios provided by the external provider Moody's Analytics, which incorporate forward-looking information updated to the pandemic crisis consistent with the macroeconomic forecasts issued by the European Central Bank, which resulted in a positive impact of €0.8 million in the first half of 2021 (-€1.1 million in the first half of 2020).

Provisions for risks and charges amounted to € 14 million, up € 6.4 million on first half 2020. It should be noted that during the first half of the year, the ordinary annual contribution for the year 2021 pursuant to Directive 2014/59/EU (Single Resolution Fund) was recognised in the amount of € 5.8 million (€0.7 million in the first half of 2020) and the additional contribution to the National Resolution Fund (NRC) pursuant to Article 1, paragraph 848, of Law no. 208/2015 called by the Bank of Italy to the Italian banking system in the amount of €1.9 million (€ 0.2 million in the first half of 2020). As at 30 June 2021, Other charges and provisions also include a provision of €1.5 million relating to indemnities and refunds to be paid to customers for costs wrongly charged.

Profit from investments amounted to +€1.2 million, up € 5.1 million compared to the first half 2020 (-€ 3.8 million). As described above, in the valuation of performing credit exposures towards security issuers at 30 June 2021, the Group considered updated macroeconomic scenarios, which resulted in a positive impact of € 2.3 million in the first half of 2021 (€ -3.6 million in the first half of 2020).

Profit (loss) before tax from continuing operations amounted to a profit of € 262.9 million, increasing by 1.7% on the same period of previous year, owing in particular to the increase in **Net commissions** and the positive impact of updated macroeconomic scenarios, which compensated for the reduction in Net trading, hedging and fair value income, the increase in operating costs and higher systemic charges recognised in the first half of 2021, while the financial margin remained in line with the first half of 2020 thanks to the contribution of Profits from Treasury activity. Excluding non-recurring items in the first half 2020[17], Profit before tax from continuing operations would show a growth 1.2 %[18].

[17] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 1.2 million (gross of tax effect).
[18] No significant change in fair value was recognised in the first half of 2021 in respect of equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund.

Income Statement Figures

Income tax for the period

(Amounts in € thousand)

Income tax for the period	1st Half		Changes	
	2021	2020	Amount	%
Current IRES income tax charges	(59,467)	(44,435)	(15,032)	33.8%
Current IRAP corporate tax charges	(13,389)	(10,446)	(2,943)	28.2%
Current foreign corporate tax charges	(4,424)	(3,550)	(874)	24.6%
Total current tax	**(77,280)**	**(58,431)**	**(18,849)**	**32.3%**
Change in deferred tax assets	9,993	(19,991)	29,984	-150.0%
Change in deferred tax liabilities	23,746	114	23,632	n.a.
Total deferred tax liabilities	**33,739**	**(19,877)**	**53,616**	**-269.7%**
Goodwill redemption substitute tax	(2,671)	-	(2,671)	n.a.
Income tax for the period	**(46,212)**	**(78,308)**	**32,096**	**-41.0%**

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.

Law 190/2014, as amended by art. 5 of Decree-Law 3/2015, introduced the Patent Box regime into Italian law, with effect from the tax period following the one in progress as at 31 December 2014. The Patent Box is an optional regime for reduced taxation of income derived from the use (direct or indirect) of legally protectable intellectual property, industrial patents, trademarks, designs and models, processes, formulas and information relating to experience acquired in the industrial, commercial or scientific field. The tax break consists of the exclusion of 50% of the income deriving from these intangible assets from the IRES and IRAP tax base. The exclusion percentage was 30% for the tax period after the one in progress as at 31 December 2014 and 40% for the tax period after the one in progress as at 31 December 2015. The option is irrevocable, has a duration of five financial years and is renewable.

At the beginning of 2020, an agreement was reached with the Italian Revenue Agency on the method of calculating the benefit for the five-year period 2015-2019. Taking into account the renewability of the option for the following five-year period 2020-2024, a renewal request was submitted in 2020 and the benefit envisaged for software was recognised from that year, given the exclusion of the trademark by express regulatory provision. While waiting for the renewal agreement to be reached, the benefit at 30 June 2021 is estimated to be approximately €2 million (€2 million at 30 June 2020) using the same calculation method agreed with the Revenue Agency for the five-year period 2015-2019.

The 2021 Stability Law expressly recognised the possibility of applying the tax realignment provisions provided for in Article 110 of Decree-Law 104 of 2020 with respect to business assets also to goodwill and other intangible assets reported in the financial statements as at 31 December 2019. As at 30 June 2021, the Bank exercised the option to realign the goodwill by paying the 3% substitute tax of € 2.7 million on the difference between the book value and the tax value of the goodwill recorded in the financial statements as at 31 December 2019 of € 89 million.

In particular, the effect of the realignment resulted in the cancellation of deferred taxes of €24.5 million and the recognition of deferred tax assets of € 10.2 million. In addition, current taxes included the payment of the 3% substitute tax for the realignment of goodwill in the amount of € 2.7 million.

Income Statement Figures

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

The **Net profit for the period** – which is the same as the net profit attributable to the Group as Fineco AM is 100% controlled by the Bank – amounted to € 216.7 million, with an increase of 20.3% on the first half of previous year (€ 180.2 million). It should be noted that the result for the period benefited from the tax realignment of goodwill carried out by FinecoBank, as provided for by article 110 of Decree Law 104 of 2020, which resulted in the recognition of lower taxes amounting to € 32 million. Excluding this non-recurring item accounted for in first half 2021 mentioned before[19], the Net profit for the period should be € 184.6 million, up 2% compared to the net profit of the first half 2020 net of non-recurring items[20].

[19] At 30 June 2021, only this non-recurring item was excluded as, with regard to the equity exposure to the Voluntary Scheme established by the Interbank Deposit Guarantee Fund, no significant change in fair value was recognised in the first half of 2021.

[20] Change in the fair value of the equity exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund totalling -€ 0.8 million (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 first half 2020 and a report on the results achieved by FinecoBank S.p.A. at individual level is shown as well.

Key figures

Operating structure

	Data as at	
	06/30/2021	12/31/2020
No. Employees	1,242	1,226
No. Personal financial advisors	2,731	2,606
No. Financial shops [1]	414	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	
	06/30/2021	12/31/2020	Amounts	%
Loans receivable with ordinary customers [1]	4,656,591	4,008,307	648,284	16.2%
Total assets	32,856,507	31,725,094	1,131,413	3.6%
Direct deposits [2]	28,272,596	28,013,982	258,614	0.9%
Assets under administration [3]	73,158,437	63,695,135	9,463,302	14.9%
Total customers sales (direct and indirect)	101,431,033	91,709,117	9,721,916	10.6%
Shareholders' equity	1,863,527	1,671,070	192,457	11.5%

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

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Balance Sheet indicators

	Data as at	
	06/30/2021	12/31/2020
Loans receivable with ordinary customers/Total assets	14.17%	12.64%
Loans and receivables with banks/Total assets	2.03%	2.40%
Financial assets/Total assets	74.96%	75.47%
Direct sales/Total liabilities and Shareholders' equity	86.05%	88.30%
Shareholders' equity (including profit)/Total liabilities and Shareholders' equity	5.67%	5.27%
Ordinary customer loans/Direct deposits	16.47%	14.31%

Credit quality	Data as at	
	06/30/2021	12/31/2020
Non-performing loans/Loans receivable with ordinary customers	0.10%	0.09%
Bad loans/Loans receivable with ordinary customers	0.05%	0.05%
Coverage [1] - Bad loans	88.68%	90.29%
Coverage [1] - Unlikely to pay	66.91%	68.92%
Coverage [1] - Impaired past-due exposures	43.19%	63.82%
Coverage [1] - Total Non-performing loans	81.37%	86.15%

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

Own funds and capital ratios

	Data as at	
	06/30/2021	12/31/2020
Common Equity Tier 1 Capital (€ thousand)	790,403	1,072,852
Total Own Funds (€ thousand)	1,290,403	1,572,852
Total risk-weighted assets (€ thousand)	4,380,240	3,781,238
Ratio - Common Equity Tier 1 Capital	18.05%	28.37%
Ratio - Tier 1 Capital	29.46%	41.60%
Ratio - Total Own Funds	29.46%	41.60%

	Data as at	
	06/30/2021	12/31/2020
Tier 1 Capital (€ thousand)	1,290,403	1,572,852
Exposure for leverage (€ thousand)	32,803,647	32,762,203
Leverage ratio	3.93%	4.80%

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

The prudential requirements of the Group at 20 June 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 that modify the content, in particular the Regulation (EU) 876/2019 ("CRR II"), which transpose the standards defined by the Basel Committee for banking supervision (so-called Basel 3 regulatory framework), collected and implemented by the Bank of Italy through the Circular no. 285 of 17 December 2013 "Supervisory provisions for banks" and subsequent updates.

Own funds as at 30 June 2021 are equal to € 1,290.4 million, including the whole profit for first semester 2021, net of dividends and other foreseeable charges and assuming the conditions set out in art. 26, paragraph 2, of EU Regulation 575/2013 (CRR). To this end, it should be noted that the foreseeable charges include dividends drawn from available retained earnings, amounting to € 323.2 million. The Board of Directors of 3 August 2021 resolved to propose to the Shareholders' Meeting for distribution of such dividends in the fourth quarter of 2021, as described above.

The leverage ratio as at 30 June 2021 shown above was calculated by applying the provisions of Article 429a 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, resulting in a recalculation of the minimum applicable regulatory requirement ("adjusted leverage ratio"), which at 30 June 2021 is equal to 3.16%. At 30 June 2021, the value of the exemption amounted to €1,845 thousand, with an impact on the indicator of +0.21% which bring the leverage ratio calculated without the above exclusion from 3.93% to 3.72%.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Condensed Accounts

Balance sheet

(Amounts in € thousand)

	Amounts as at		Changes	
ASSETS	**06/30/2021**	**12/31/2020**	**Amounts**	**%**
Cash and cash balances	1,562,295	1,760,348	(198,053)	-11.3%
Financial assets held for trading	21,393	16,997	4,396	25.9%
Loans and receivables with banks	665,516	760,423	(94,907)	-12.5%
Loans and receivables with customers	5,246,491	4,517,351	729,140	16.1%
Financial investments	24,629,068	23,942,489	686,579	2.9%
Hedging instruments	85,051	74,451	10,600	14.2%
Property, plant and equipment	152,126	150,883	1,243	0.8%
Goodwill	89,602	89,602	-	-
Other intangible assets	38,056	39,438	(1,382)	-3.5%
Tax assets	38,304	13,302	25,002	188.0%
Tax credits acquired	75,065	-	75,065	-
Other assets	253,540	359,810	(106,270)	-29.5%
Total assets	**32,856,507**	**31,725,094**	**1,131,413**	**3.6%**

(Amounts in € thousand)

	Amounts as at		Changes	
LIABILITIES AND SHAREHOLDERS' EQUITY	**06/30/2021**	**12/31/2020**	**Amounts**	**%**
Deposits from banks	1,172,801	1,064,859	107,942	10.1%
Deposits from customers	29,131,839	28,350,321	781,518	2.8%
Financial liabilities held for trading	4,937	5,889	(952)	-16.2%
Hedging instruments	118,586	232,102	(113,516)	-48.9%
Tax liabilities	34,387	13,324	21,063	158.1%
Other liabilities	530,430	387,529	142,901	36.9%
Shareholders' equity	1,863,527	1,671,070	192,457	11.5%
- capital and reserves	*1,665,819*	*1,350,780*	*315,039*	23.3%
- revaluation reserves	*(1,863)*	*(2,833)*	*970*	-34.2%
- net profit	*199,571*	*323,123*	*(123,552)*	-38.2%
Total liabilities and Shareholders' equity	**32,856,507**	**31,725,094**	**1,131,413**	**3.6%**

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Balance sheet - Quarterly data

(Amounts in € thousand)

ASSETS	Amounts as at 06/30/2021	03/31/2021	12/31/2020	09/30/2020	06/30/2020
Cash and cash balances	1,562,295	1,280,542	1,760,348	987,533	909,802
Financial assets held for trading	21,393	26,233	16,997	13,146	14,591
Loans and receivables with banks	665,516	603,328	760,423	726,603	700,897
Loans and receivables with customers	5,246,491	4,610,359	4,517,351	4,312,156	4,190,202
Financial investments	24,629,068	25,374,711	23,942,489	22,977,203	22,949,188
Hedging instruments	85,051	84,464	74,451	76,119	75,577
Property, plant and equipment	152,126	147,098	150,883	149,436	152,631
Goodwill	89,602	89,602	89,602	89,602	89,602
Other intangible assets	38,056	38,902	39,438	37,640	36,406
Tax assets	38,304	7,582	13,302	14,416	3,824
Tax credits acquired	75,065	8,789	-	-	-
Other assets	253,540	270,440	359,810	282,404	253,549
Total assets	**32,856,507**	**32,542,050**	**31,725,094**	**29,666,258**	**29,376,269**

(Amounts in € thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	Amounts as at 06/30/2021	03/31/2021	12/31/2020	09/30/2020	06/30/2020
Deposits from banks	1,172,801	1,149,225	1,064,859	104,977	113,137
Deposits from customers	29,131,839	29,094,018	28,350,321	27,286,807	27,014,501
Financial liabilities held for trading	4,937	8,123	5,889	5,737	8,209
Hedging instruments	118,586	139,836	232,102	211,970	207,116
Tax liabilities	34,387	46,510	13,324	49,716	62,928
Other liabilities	530,430	351,187	387,529	425,858	440,677
Shareholders' equity	1,863,527	1,753,151	1,671,070	1,581,193	1,529,701
- capital and reserves	*1,665,819*	*1,674,255*	*1,350,780*	*1,359,530*	*1,358,387*
- revaluation reserves	*(1,863)*	*(1,720)*	*(2,833)*	*(84)*	*1,485*
- net profit	*199,571*	*80,616*	*323,123*	*221,747*	*169,829*
Total liabilities and Shareholders' equity	**32,856,507**	**32,542,050**	**31,725,094**	**29,666,258**	**29,376,269**

Cash and cash balances, amounting to € 1,562.3 million, consisted mainly of the liquidity deposited in the HAM (Home Accounting Model) account with the Bank of Italy, used to manage short-term liquidity.

Loans and receivables with banks, came to € 665.5 million, a decrease of 12.5% compared to December 31, 2020, driven mainly by lower variation margins paid for derivative dealing, This item also includes cash and cash equivalents with credit institutions held mainly for the settlement of payment transactions and transactions involving own and customers' financial instruments.

Loans and receivables with customers came to € 5,246.5 million, up 16.1% compared to December 31, 2020, thanks to the increase in lending activity. During the first half of 2021 € 133.6 million in personal loans and € 521.4 million in mortgages were granted and € 822.1 million in current account overdrafts was arranged, with an increase in current account exposures of € 210.3 million; this led to an increase in the total aggregate of loans to ordinary customers of 16.2% compared to 31 December 2020. Impaired loans net of impairment losses totaled € 4.6 million (€ 3.5 million as at December 31, 2020), with a coverage ratio of 81.4% (86.1% as at December 31, 2020); the ratio between the amount of impaired loans and the amount of loans to ordinary customers stood at 0.10% (0.09% as at 31 December 2020).

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Financial investments came to € 24,629.1 million, up 2.9% compared to December 31, 2020. The carrying amount of the debt securities issued by the UniCredit S,p.A. amount to € 4,972.6million, down compared to € 5,738.9 million as at December 31, 2020 due to the repayment of securities maturing during 2020, The purchases made by the Bank during the first half 2021 mainly concerned securities issued by sovereign States.

Deposits from banks totalled € 1,172.8 million, showing an increase of € 107.9 million compared to December 31, 2020, mainly attributable to the liquidity received from the Central Bank in the context of the 7th tranche of TLTRO III program, for an amount of € 95 million.

Deposits from customers came to € 29,131.8 million, up 781.5 million compared to December 31, 2020, mainly due to repurchase agreements on the MTS market outstanding as at 30 June 2021 and the growth in direct deposits from customers.

Shareholders' equity amounted to € 1,863.5 million, showing an increase of € 192.5 million compared to December 31, 2020, attributable mainly to the profit earned in the first half 2021. It should be noted that during the first half of 2021, the coupons of the AT1 instruments issued by FinecoBank were paid, the amount of which, net of the related taxation, led to a reduction in equity of € 9.9 million.

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

Income Statement

(Amounts in € thousand)

	1st half		Changes	
	2021	2020	Amounts	%
Financial margin	148,011	147,139	872	0.6%
of which Net interest	124,452	138,318	(13,866)	-10.0%
of which Profits from Treasury	23,559	8,821	14,738	167.1%
Dividends and other income from equity investments	13,704	14,224	(520)	-3.7%
Net fee and commission income	173,469	162,160	11,309	7.0%
Net trading, hedging and fair value income	40,563	47,587	(7,024)	-14.8%
Net other expenses/income	698	1,530	(832)	-54.4%
REVENUES	**376,445**	**372,640**	**3,805**	**1.0%**
Staff expenses	(49,603)	(46,871)	(2,732)	5.8%
Other administrative expenses	(125,940)	(106,175)	(19,765)	18.6%
Recovery of expenses	67,470	52,263	15,207	29.1%
Impairment/write-backs on intangible and tangible assets	(12,533)	(12,142)	(391)	3.2%
Operating costs	**(120,606)**	**(112,925)**	**(7,681)**	**6.8%**
OPERATING PROFIT (LOSS)	**255,839**	**259,715**	**(3,876)**	**-1.5%**
Net impairment losses on loans and provisions for guarantees and commitments	(1,689)	(3,679)	1,990	-54.1%
NET OPERATING PROFIT (LOSS)	**254,150**	**256,036**	**(1,886)**	**-0.7%**
Other charges and provisions	(14,023)	(7,636)	(6,387)	83.6%
Net income from investments	1,239	(3,818)	5,057	132.5%
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**241,366**	**244,582**	**(3,216)**	**-1.3%**
Income tax for the period	(41,795)	(74,753)	32,958	-44.1%
ET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**199,571**	**169,829**	**29,742**	**17.5%**
PROFIT (LOSS) FOR THE PERIOD	**199,571**	**169,829**	**29,742**	**17.5%**

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
Financial margin	75,117	72,894
of which Net interest	61,869	62,583
of which Profits from Treasury	13,248	10,311
Dividends and other income from equity investments	-	13,704
Net fee and commission income	88,896	84,483
Net trading, hedging and fair value income	23,889	16,674
Net other expenses/income	550	148
REVENUES	**188,542**	**187,903**
Staff expenses	(24,557)	(25,046)
Other administrative expenses	(61,848)	(64,092)
Recovery of expenses	32,367	35,103
Impairment/write-backs on intangible and tangible assets	(6,212)	(6,321)
Operating costs	**(60,250)**	**(60,356)**
OPERATING PROFIT (LOSS)	**128,292**	**127,547**
Net impairment losses on loans and provisions for guarantees and commitments	(477)	(1,212)
NET OPERATING PROFIT (LOSS)	127,815	126,335
Other charges and provisions	(8,236)	(5,787)
Net income from investments	(583)	1,822
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**118,996**	**122,370**
Income tax for the period	(38,380)	(3,415)
NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**80,616**	**118,955**
PROFIT (LOSS) FOR THE PERIOD	**80,616**	**118,955**

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)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**78,451**	**91,378**	**51,918**	**101,376**
PROFIT (LOSS) FOR THE PERIOD	**78,451**	**91,378**	**51,918**	**101,376**

Revenues amounted to € 376.4 million, recording an increase of 1% compared to € 372.6 million recorded in the same period of the 2020 thanks to the contribution of Net fee and commission income which grew by €11.3 million (+7% y/y), and Profits from Treasury Management, up by €14.7 million, which offset the reduction in Net Interest (-€13.9 million) and Net trading, hedging and fair value income (-€7.1 million); in this regard, it should be noted that the market context of the first half of 2020 was characterised by strong volatility.

Financial margin stood at €148 million, up 0.6% compared to the first half of the previous year, thanks to **Profits from Treasury**, which more than offset the decrease in **Net Interest** caused mainly by the fall in market interest rates. In particular, **Net interest** stood at € 124.4 million, down 10% compared to the first half 2020, Profit from Treasury activity stood to € 23.6 million, up 167.1% compared to first half of the previous year.

Dividends and other income from equity investments only include the dividend received from Fineco AM, amounting to € 13.7 million.

Net commissions increased by € 11.3 million compared to the first half of previous year, thanks to the fees and commissions generated by Investing segment (+€ 22.6% a/a), related to the volume growth. Banking commissions also grew (+10% y/y) thanks to the contribution from fees on current accounts and to and commission on payment cards.

Net trading, hedging and fair value income was mainly generated by profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency; it was down € 7 million compared to the first half of the previous year. In this respect, it should be noted that the increase in the customer base operating on the Bank's platform, the expansion of market share and the review of the offer made it possible to partially offset the extremely positive results recorded in the first half of 2020 thanks to the market context which had been characterised by strong volatility which had led to an increase in internalised volumes of more than 180%..

Operating costs show an increase of € 7.7 million compared to the first half of previous year (+€ 2.7 million for "Staff expenses", +€ 4.6 million for "Other administrative expenses net of Recovery of expenses" and +€ 0.4 million for "Impairment/write-backs on intangible and tangible assets").

Results of the parent and the subsidiary

The parent: FinecoBank S.p.A.

However, the 6.8% growth is limited compared to the expansion of assets, volumes, customers and structure, confirming the Group's strong operating leverage and widespread corporate culture in terms of cost management, certified by a cost/income ratio of 32% (30.3% as at 30 June 2020[21]).

Net write-downs of loans and provisions for guarantees and commitments in first half 2021 amounted to -€ 1.7 million (-€3.7 million in first half 2020) and were affected by the change in the macroeconomic scenarios used in the calculation of LLPs at 30 June 2021 for Expected Credit Losses. As described above in "Significant events during the period", when assessing performing credit exposures at 30 June 2021, the Group the Group considered the macroeconomic scenarios provided by the external supplier Moody's Analytics, which incorporate forward-looking information updated to the pandemic crisis consistent with the macroeconomic forecasts issued by the European Central Bank, which resulted in a positive impact of €0.8 million in the first half of 2021 (-€1.1 million in the first half of 2020).

Provisions for risks and charges amounted to € 14 million, up 6.4 million compared to first half of 2020. It should be noted that during the first half of the year, the ordinary annual contribution for the year 2021 pursuant to Directive 2014/59/EU (Single Resolution Fund) was recognised in the amount of €5.8 million (€ 0.7 million in the first half of 2020) and the additional contribution to the National Resolution Fund (NRF) pursuant to Article 1, paragraph 848, of Law no. 208/2015 called by the Bank of Italy to the Italian banking system in the amount of € 1.9 million (€ 0.2 million in the first half of 2020). As at 30 June 2021, Other charges and provisions also include a provision of €1.6 million relating to indemnities and refunds to be paid to customers for costs wrongly charged.

The **Net income from investments** stood at +€ 1.2 million showing an increase of € 5.1 million compared to first half of 2020 (-€ 3.8 million). As described above, when assessing performing credit exposures towards security issuers as at 30 June 2021, the Bank considered an updated macroeconomic scenario which resulted in a positive impact of €2.3 million in the first half of 2021 (€ -3.6 million in the first half of 2020).

Profit (loss) before tax from continuing operations amounted to € 241.4 million, down 1.7% compared to the previous year, in particular mainly due to, in particular, the reduction in Net trading, hedging and fair value income, the increase in operating costs and the higher systemic charges recognised in the first half of 2021, not fully offset by the growth in Net commissions and the positive impact of updated macroeconomic scenarios, while the financial margin remained in line with the first half of 2020 thanks to the contribution of Profits from Treasury activity. Excluding the non-recurring items first half 2020 mentioned before[22], the Profit before tax from continuing operations would show a reduction of 1.8%[23].

Profit for the period came to € 199.6 million, up 17.5% compared to € 169.8 million recorded to the first half of previous year. It should be noted that the result for the period benefited from the tax realignment of goodwill carried out by FinecoBank, as provided for by article 110 of Decree Law 104 of 2020, which resulted in a positive impact in the first half of 2021 of € 32 million. Excluding this non-recurring item[24], Profit for the period would have been € 167.5 million, down 1.8% compared to the profit for the period first half 2020 (also net of non-recurring items[25]).

[21] The cost/income ratio as at 30 June 2020 has been restated, as specified in the introductory notes, in order to include the different way of recognising some costs related to the activity carried out by the financial advisors and therefore make the figure comparable.

[22] Change in fair value of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 1.2 million (gross of the tax effect),

23 No changes in fair value have been booked in first half 2021 on the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits.

[24] No significant change in fair value was recognised in the first half of 2021 in respect of the equity exposure to the Voluntary Fund set up by the Interbank Deposit Guarantee Fund.

25 Change in fair value of the equity securities exposure to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund in the amount of € -0.8 million (net of 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 volumes of net assets under management managed by Fineco AM at 30 June 2021 amounted to € 20.3 billion (€16.3 billion as at December 31, 2020). This is broken down as per below:

- € 5.5 billion referred to Core Series Umbrella Fund (€ 5.1 billion as at December 31, 2020);
- € 10.9 billion referred to FAM Series UCITS ICAV (€ 8.2 billion as at December 31, 2020);
- € 3.9 billion referred to FAM Evolution ICAV (€ 3.0 billion as at December 31, 2020).

It should also be noted that € 13.2 billion relate to retail classes and € 7.1 billion relating to institutional classes.

As at June 30, 2021, Fineco AM has a total asset of € 61 million. This consists of **Loans and receivables with banks**, represented by a time deposit for an amount of € 12 million and by the sight deposits with credit institutions for € 14.3 million, and by **Loans and receivables with customers**, exclusively represented operating receivables associated with the provision of services, for an amount of € 32.4 million.

Fineco AM also holds shares in its UCITS Funds, in relation to the seeding activity for an amount of € 0.5 million, which are recorded under "**Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value**", Fineco AM also holds **Other assets** for an amount of € 0.8 million relating to prepaid expenses and definitive items not attributable to other items.

Deposits from banks and **Deposits from customers** totalled € 19.2 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 € 9.5 million, and to investment advisors, It should be noted that the item **Deposits from customers** also includes the "Lease liabilities" from customers, amounting to € 0.7 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 € 4.4 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 € 36.2 million and consists of share capital for € 3 million, of retained earnings for € 2.4 million and net income for the period of € 30.8 million, net of dividends paid to the parent FinecoBank in the second quarter of 2021 for € 13.7 million.

In 2020 Fineco AM generated **Net commissions** for € 40.2 million (€ 108.8 million in fee and commission income and € 68.6 million in fee and commission expenses) and the **Net Profit for the period** amounted to € 30.8 million.

The number of persons employed by Fineco AM as at June 30, 2021 is 38.

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").

The Global Policy contains the provisions to observe when managing:

- Transactions with Related Parties pursuant to Consob Regulation adopted by resolution no. 17221 of March 12th, 2010 (and subsequent amendments);
- Transactions with Associated Persons pursuant to the regulations on "Risk activities and conflicts of interest with associated persons" established in Chapter 11 of the Bank of Italy Circular 285/2013 ("Supervisory Provisions for Banks"), as amended following the update n. 33 of 23 June 2020;
- Obligations of Bank Officers pursuant to Article 136 of Legislative Decree 385 of September 1st, the "Italian Banking Law";
- Transactions with additional relevant persons in potential conflict of interest as identified by way of self-regulation by the Bank, taking into account the applicable law and regulations.

Considering the above, during first half of 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 parties transaction.

Transactions with Group companies

FinecoBank is Parent Company of Banking Group FinecoBank.

The following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at June 30, 2021 as well as the costs (-) and revenues (+) recorded in first half 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	9,726	-	-	67,221	-

It should be noted that the assets shown in the table mainly refer to current receivables associated with the provision of financial services to be collected by the subsidiary Fineco AM and recorded in "Financial assets at amortized cost". At the same time, the revenues column includes placement and management fee income paid back by the subsidiary and accounted for by the Bank during the first half 2021, in addition to the dividends recognized by Fineco AM during the first half 2021 for a total of € 13.7 million.

Number of treasury shares of the parent company

As at 30 June 2021, the Group, specifically the Bank, held in the portfolio 122,866 FinecoBank ordinary shares (all held by the Bank itself in connection with PFA incentive plans), amounting to 0.02% of the share capital, for total of € 1.4 million. During the first half 2021 n. 55,000 shares, for an amount of € 0.8 million, were purchased in relation to the 2020 PFA Incentive System for personal financial advisors identified as key personnel, while 11,548, 5,527, 10,306 and 24,687 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively under the "2016 PFA Incentive Systems", "2017 PFA Incentive Systems", "2018 PFA Incentive Systems" and "2019 PFA Incentive Systems".

Subsequent events and outlook

Subsequent events

No significant events occurred after the end of the period that would require adjustments to the results presented in the condensed consolidated interim financial statements at 30 June 2021.

As already reported in the section "Significant events during the period", it should be noted that on 23 July 2021, the European Central Bank decided today not to extend beyond September 2021 its recommendation to all banks to limit dividends. Instead, supervisors will resume assessing each bank's capital and dividend plans as part of the regular supervisory process.

The European Central Bank reported that the latest macroeconomic projections confirm the recovery of the economy and signal less uncertainty, which improves the reliability of banks' capital trajectory. Supervisors have reviewed banks' credit risk management practices during the pandemic and therefore consider it appropriate to reinstate the previous prudential practice of discussing the evolution of the capital profile and plans for dividend distributions or share buybacks with each bank in the context of the usual supervisory cycle. However, banks should continue to be prudent in their decisions on dividends and share buybacks, carefully considering the sustainability of their business model. In addition, they should not underestimate the risk that additional losses may later affect the evolution of their capital profile when the support measures expire.

The European Central Bank clarified that the recommendation on dividends remains applicable until 30 September 2021; therefore, the next decisions on dividend payouts should be taken in the fourth quarter of 2021. It also asked banks to adopt a prudent and forward-looking approach to decisions on remuneration policies. In the context of the supervisory review process, the European Central Bank will continue to assess banks' remuneration policies and the potential impact on their ability to maintain a sound capital base.

In this context, 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. In line with the decision taken by the European Central Bank, considering that the latest macroeconomic projections show signs of improvement in the economy, Bank of Italy will return to adopting the criteria for capital assessment and dividend distribution and share repurchase plans by banks as part of the ordinary SREP process. However, less significant banks will need to maintain a prudent approach when deciding on distribution and share repurchase policies, carefully considering the sustainability of their business model. They should also not underestimate the risk that, as the support measures introduced in response to the Covid-19 pandemic expire, further losses may impact their capital trajectories. Bank of Italy also recommends that less significant banks continue to adopt a prudent and forward-looking approach to remuneration policies. These will be assessed as part of the SREP process and the impact that such policies may have on the ability to maintain a sound capital base will be taken into account.

Finally, the Bank of Italy has clarified that the previous Recommendation on dividends and remuneration policies remains in force until 30 September 2021: with reference to dividends, the next decisions will therefore have to be taken in the fourth quarter of 2021.

Without prejudice to the ongoing dialogue 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 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 €323,246,878.10, drawn from available revenue reserves.

Outlook

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

The habits of banking customers have changed radically over the last ten years. The need for them to access services far from their branch or at unconventional times has increased and they are increasingly able to use the internet at any time of the day and anywhere. 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 offers competitive advantages to a bank such as FinecoBank, which has always focused on technology and, more specifically, on the dual track of a digital platform matched with a network of 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. However, a greater risk perception and a lower interest in financial investments means that households continue to prefer liquid products (bank drafts and deposits), insurance products and pension funds. The greater level of uncertainty and the volatility of the financial markets, and above all the exceptional contingency experienced in the last months of the first quarter of 2020, have oriented household preferences towards liquid products (currency and deposits), insurance products and pension funds. Despite these events, there is a clear recovery

Subsequent events and outlook

of investments in mutual funds compared to the past even if still lower 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 world of 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. 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.

Fineco's business model is perfectly positioned to exploit current trends. Thanks to the synergy that combines technology and the human component, our customers have been able to appreciate, even in this difficult context, a perfect continuity of service both of the platforms and in the relationship with consultants. This is demonstrated by the strong growth results that Fineco achieved in 2020.

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[26] for 1.99% in March 2021 (+31 bps y/y), with significant potential growth margins.

Fineco intends to pursue its long-term sustainable growth objectives, including in terms of ESG[27], in order to create value for stakeholders while maintaining a low risk appetite, 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 and low risk investments.

Given the risks typical of the sector to which it belongs and the occurrence of events that are exceptional or that depend on variables that cannot essentially be controlled by the Directors and the Management (elements which are currently not conceivable in any case), a positive operating performance is expected for 2021.

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

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

Consolidated balance sheet

(Amounts in € thousand)

Assets		06/30/2021	12/31/2020
10.	Cash and cash balances	1,562,295	1,760,348
20.	Financial assets at fair value through profit and loss	28,231	27,985
	a) financial assets held for trading	21,393	16,997
	c) other financial assets mandatorily at fair value	6,838	10,988
30.	Financial assets at fair value through other comprehensive income	143,443	143,698
40.	Financial assets at amortised cost	30,437,421	29,093,523
	a) loans and receivables with banks	7,408,403	8,254,331
	b) loans and receivables with customers	23,029,018	20,839,192
50.	Hedging derivatives	65,252	19,003
60.	Changes in fair value of portfolio hedged financial assets (+/-)	19,799	55,448
90.	Property, plant and equipment	153,030	151,872
100.	Intangible assets	127,791	129,199
	- goodwill	89,602	89,602
110.	Tax assets	38,323	13,314
	a) current tax assets	-	5,166
	b) deferred tax assets	38,323	8,148
130.	Other assets	329,175	360,627
	Total assets	**32,904,760**	**31,755,017**

Consolidated balance sheet

(Amounts in € thousand)

Liabilities and shareholders' equity		06/30/2021	12/31/2020
10.	Financial liabilities at amortised cost	30,314,279	29,424,598
	a) deposits from banks	1,172,802	1,064,859
	b) deposits from customers	29,141,477	28,359,739
20.	Financial liabilities held for trading	4,937	5,889
40.	Hedging derivatives	105,693	214,388
50.	Changes in fair value of portfolio hedged financial liabilities (+/-)	12,893	17,714
60.	Tax liabilities	35,666	13,954
	a) current tax liabilities	35,666	10,204
	b) deferred tax liabilities	-	3,750
80.	Other liabilities	421,427	273,784
90.	Provisions for employee severance pay	4,941	4,924
100.	Provisions for risks and charges:	108,242	112,641
	a) commitments and guarantees given	96	61
	c) other provisions for risks and charges	108,146	112,580
120.	Revaluation reserves	(1,863)	(2,833)
140.	Equity instruments	500,000	500,000
150.	Reserves	980,114	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	216,670	323,571
	Total liabilities and Shareholders' equity	**32,904,760**	**31,755,017**

Consolidated Income Statement

(Amounts in € thousand)

Items		01/01/2021–06/30/2021	01/01/2020–06/30/2020
10.	Interest income and similar revenues	125,457	144,242
	of which: interest income calculated with the effective interest method	135,066	150,797
20.	Interest expenses and similar charges	(3,633)	(6,844)
30.	**Net interest margin**	**121,824**	**137,398**
40.	Fee and commission income	420,403	361,167
50.	Fee and commission expenses	(204,178)	(150,597)
60.	**Net fee and commission income**	**216,225**	**210,570**
70.	Dividend income and similar revenue	114	53
80.	Gains (losses) on financial assets and liabilities held for trading	38,045	49,578
90.	Fair value adjustments in hedge accounting	1,549	(871)
100.	Gains and losses on disposal or repurchase of:	23,559	8,821
	a) financial assets at amortised cost	23,559	7,051
	b) financial assets at fair value through other comprehensive income	-	1,770
110.	Gains (losses) on financial assets and liabilities at fair value through profit or loss	863	(1,099)
	b) other financial assets mandatorily at fair value	863	(1,099)
120.	**Operating income**	**402,179**	**404,450**
130.	Impairment losses/writebacks on:	(414)	(7,457)
	a) financial assets at amortised cost	(419)	(7,451)
	b) financial assets at fair value through other comprehensive income	5	(6)
140.	Profit/loss from contract changes without cancellation	-	21
150.	**Net profit from financial activities**	**401,765**	**397,014**
180.	**Net profit from financial and insurance activities**	**401,765**	**397,014**
190.	Administrative expenses	(187,492)	(172,100)
	a) staff expenses	(52,884)	(48,893)
	b) other administrative expenses	(134,608)	(123,207)
200.	Net provisions for risks and charges	(6,353)	(6,779)
	a) provision for credit risk of commitments and financial guarantees given	(35)	(46)
	b) other net provision	(6,318)	(6,733)
210.	Impairment/write-backs on property, plant and equipment	(9,396)	(9,428)
220.	Impairment/write-backs on intangible assets	(3,266)	(2,840)
230.	Other net operating income	67,624	52,621
240.	**Operating costs**	**(138,883)**	**(138,526)**
280.	Gains (losses) on disposal of investments	-	(6)
290.	**Total profit (loss) before tax from continuing operations**	**262,882**	**258,482**
300.	Tax expense (income) related to profit or loss from continuing operations	(46,212)	(78,308)
310.	**Total profit (loss) after tax from continuing operations**	**216,670**	**180,174**
330.	**Profit (loss) for the period**	**216,670**	**180,174**
350.	**Profit (loss) for the period attributable to the Parent Company**	**216,670**	**180,174**

	01/01/2021–06/30/2021	01/01/2020–06/30/2020
Earnings per share (euro)	0.36	0.30
Diluted earnings per share (euro)	0.36	0.30

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		01/01/2021–06/30/2021	01/01/2020–06/30/2020
10.	**Profit (Loss) of the period**	**216,670**	**180,174**
	Other income components net of taxes without reversal to the income statement	**1,582**	**1,227**
70.	Defined benefit plans	1,582	1,227
	Other comprehensive income after tax with reclassification through profit or loss	**(612)**	**(744)**
140.	Financial assets (other equity securities) designated at fair value through other comprehensive income	(612)	(744)
170.	**Total other comprehensive income net tax**	**970**	**483**
180.	**Comprehensive income (item 10+170)**	**217,640**	**180,657**
200.	**Consolidated comprehensive income attributable to Parent Company**	**217,640**	**180,657**

Statement of changes in consolidated shareholders' equity

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

(Amounts in € thousand)

	Balance as at 12/31/2020	Change in opening balance	Balance as at 01/01/2021	Allocation of profit from previous year		Change during the year									Shareholders' equity group as at 06/30/2021	Shareholders' equity minorities as at 06/30/2021
							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 as at 06/30/2021		
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		(9,888)						(114)			946,875	
- others	31,183		31,183									2,056			33,329	
Revaluation reserves	(2,833)		(2,833)											970	(1,863)	
Equity instruments	500,000		500,000												500,000	
Treasury shares	(1,189)		(1,189)				570	(821)							(1,440)	
Profit (loss) for the year	323,571		323,571	(323,571)										216,670	216,670	
Shareholders' Equity Group	1,687,125		1,687,125			(9,888)	684	(821)				1,942		217.640	1,896,682	
Shareholders' Equity Minorities																

The Shareholders 'Meeting convened for April 28, 2021 approved the allocation to reserves of the profit for the year 2020, following the proposal of the Board of Directors held on 9 February, 2021.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.
The "Changes in reserves" column includes the coupons paid on equity instruments net of related taxes and the transaction costs directly attributable to the issue of Equity instruments net of related taxes.

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

(Amounts in € thousand)

	Balance as at 12/31/2019	Change in opening balance	Balance as at 01/01/2020	Allocation of profit from previous year		Change during the year									Shareholders' equity group 06/30/2020	Shareholders' equity minorities as at 06/30/2020
							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 interests	Comprehensive income 06/30/2020		
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		(9,897)						(212)			643,193	-
- others	32,656		32,656									2,529			35,185	-
Revaluation reserves	1,002		1,002											483	1,485	-
Equity instruments	500,000		500,000												500,000	-
Treasury shares	(7,351)		(7,351)				280	(399)							(7,470)	-
Profit (loss) for the year	288,365		288,365	(288,365)										180,174	180,170	-
Shareholders' Equity Group	1,382,484	-	1,382,484	-	-	(9,897)	492	(399)	-	-	-	2.317	-	180,657	1,555,654	-
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	
	01/01/2021–06/30/2021	01/01/2020–06/30/2020
1. Operations	**334,029**	**380,312**
- net result of the period (+/-)	216,670	180,174
- capital gains/losses on financial assets held for trading and on assets designated at fair value through profit and loss (-/+)	(1,003)	2,699
- capital gains/losses on hedging operations (+/-)	(87)	871
- net write-offs/write-backs due to impairment (+/-)	2,301	7,688
- net write-offs/write-backs on tangible and intangible assets (+/-)	12,662	12,268
- provisions and other incomes/expenses (+/-)	12,179	14,803
-Net uncashed premiums (-)	-	-
-Other non-cashed income/insurance charges (-/+)	-	-
- not paied tax (+/-)	34,365	54,505
- disposal groups classified as held for sale (-/+)	-	-
- other adjustments (+)	56,942	107,304
2. Liquidity generated/absorbed by financial assets	**(1,492,296)**	**(1,211,299)**
- financial assets held for trading	(4,684)	(2,680)
- financial assets at fair value	-	-
- other assets mandatorly valued at fair value	4,666	468
-Financial assets valued at fair value with impact on overall profitability	(2,122)	168,343
- financial assets valued at amortized cost	(1,528,980)	(1,466,721)
- other assets	38,824	89,292
3. Liquidity generated/absorbed by financial liabilities	**1,002,395**	**1,060,051**
- financial liabilities valued at amortized cost	876,070	1,086,569
- financial liabilities held for trading	(177)	(1,062)
- financial liabilities designated at fair value	-	-
- other liabilities	126,502	(25,456)
Net liquidity generated/absorbed by operating assets	**(155,872)**	**229,066**
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:	**(14,392)**	**(14,516)**
- purchases of equity investments	-	-
- purchases of tangible assets	(12,535)	(12,576)
- purchases of intangible assets	(1,857)	(1,940)
- purchases of subsidiaries and company branches	-	-
Net liquidity generated/absorbed by investment activity	**(14,392)**	**(14,515)**
C. FUNDING ACTIVITIES	-	-
- issue/purchase of treasury shares	(136)	92
- issue/purchase of equity instruments	-	-
- distribution of dividends and other scopes	(10,574)	(10,391)
-Sale/purchase of control of third parties	-	-
Net liquidity generated/absorbed by funding activities	**(10,710)**	**(10,299)**
NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD	**(180,974)**	**204,252**

Consolidated cash flow statement

RECONCILIATION

(Amounts in € thousand)

Item	Amount	
	01/01/2021-06/30/2021	01/01/2020-06/30/2020
Cash and cash equivalent at the beginning of period	1,971,190	934,666
Total nel liquidity generated/absorbed in the period	(180,974)	204,252
Cash and cash equivalents: effect of exchange rate variations	9,110	(442)
Cash and cash equivalent at the end of the period	1,799,326	1,338,476

Key
(+) generated
(-) used

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

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

The item “Cash and cash balances” at the end of first half 2021 consisted of:

- Cash recognised under asset item 10 “Cash and cash balances” in the amount of € 1,562,330 thousand;
- Current accounts and demand deposits recognised under asset item 40 “Financial assets at amortised cost: a) loans and receivables with banks” in the amount of € 299,568 thousand;
- net of the Current accounts and demand deposits recognised under liability item 10 “Financial liabilities at amortised cost: a) deposits from banks” in the amount of € 62,572 thousand.

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

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

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 condensed interim 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 (hereafter "IFRS", "IAS" or "International Accounting Standards") 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, and, in particular, it complies with the international accounting standard applicable for interim financial reporting (IAS 34). Based on paragraph 10 of this principle, FinecoBank Banca Fineco S.p.A.) has availed itself of the option of preparing the consolidated interim financial statements in an abbreviated version.

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

Section 2 - Preparation criteria

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

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

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

The figures in the Consolidated interim financial statements and the Notes to the Accounts are provided in thousands of euros, unless otherwise indicated. 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 Accounts that do not have any significant information to be disclosed are not shown either for the reporting period or the previous year, nor have the tables in the notes to the financial statements been provided in such cases.

The consolidated balance sheet is compared with the figures as at 31 December 2020, while the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement are compared with the corresponding figures for the first half of the previous year.

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

With reference to IAS 1, these Consolidated interim financial statements have been prepared on a going concern basis, as there are no doubts or uncertainties, taking into account the economic and financial situation of the Group, as to the ability of the latter 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 and entry into force on 1 January 2021 of new standards and interpretations, for further details please see the modifications described section 5 " Other matters", and in Part "A.2 – The main items of the accounts".

It should also be noted that as from 30 June 2021, certain costs related to the activities of personal financial advisors and linked to services that are part of the normal banking activity offered to clients (in particular the distribution and management of financial products) are reclassified under item 50. "Commission expense" from the item 190. "Administrative expenses" in order to provide a better representation of both the item 120. "Other income" and the item 240. "Operating costs" of the consolidated income statement as at June 30, 2021. No reclassifications were made to the comparative figures shown in the financial statements presented in the condensed interim consolidated financial statements and in these notes to the accounts.

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

Section 3 – Consolidation Procedures and Scope

The following was used in order to prepare the consolidated Accounts at June 30, 2021:

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

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

1. Interests in fully-owned subsidiaries

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

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

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

No data to report.

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

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

No data to report.

3.2 Significant minority interests: accounting data

No data to report.

4. Significant restrictions

No data to report.

5. Other information

No data to report.

Part A - Accounting policies

Section 4 - Subsequent events

No significant events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Consolidated interim Financial Statements as at June 30, 2021. It should be also noted that on 22 July 2021, the acquisition of a 20% stake in Hi-MTF Sim S.p.A., approved by FinecoBank's Board of Directors on 9 February 2021, was finalised.

For further details, please refer to the section 'Significant events after the end of the period' in the Consolidated Interim Management Report.

The Consolidated interim Financial Statements at June 30, 2021 were approved by the Board of Directors of August 03, 2021, which authorised their publication also pursuant to IAS10.

Section 5 – Other matters

In first half 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:

- 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).

Where applicable, these accounting standards, amendments and interpretations had no relevant impact on the consolidated interim financial statements as at June 30, 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 the tightness of the hedge) if a direct consequence of the IBOR Reform and carried out on an equivalent economic basis.

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 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.

On 2 July 2021, the Official Journal of the European Union published Commission Regulation (EU) 2021/1080 of 28 June 2021 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 16, 37 and 41 and International Financial Reporting Standards (IFRS) 1, 3 and 9, applicable at the latest as from the financial year beginning on or after 1 January 2022.

Finally, at 30 June 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:

- IFRS 17 - Insurance Contracts (May 2017), including amendments to IFRS 17 (June 2020);
- 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);
- Proposed amendments to IFRS 16 Leases: Concessions Relating to Leases Due to the Covid-19 Epidemic Beyond 30 June 2021 (March 2021);
- Amendments to IAS 12 Income Taxes: Deferred tax relating to assets and liabilities arising from a single transaction (May 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.

The context following the COVID-19 pandemic

As already described in the section "Events during the period" into the Consolidated interim report on operations, despite the continuation of the COVID-19 pandemic, in the first half of 2021 the world economy continued to gradually recover after the contraction triggered by the pandemic crisis, whose path is still characterised by uncertainties, obstacles and possible unforeseen events, influenced by the speed of vaccination campaigns and the efficiency of infection prevention mechanisms, also considering the spread of more aggressive variants.

Governments and central banks are, however, very keen to continue supporting the real economy and the markets.

In this contest, the Italian Government, as well as other European governments, had taken extraordinary measures in 2020 that are still in place, to limit unemployment and support the most vulnerable sectors, which were accompanied by government-backed bank loans to businesses as well as the extension of the fund for first home mortgages (the Gasparrini Fund) to employees, self-employed workers and freelance professionals, under certain conditions following the restrictions adopted for the COVID-19 emergency, that provides for the possibility of suspending their loan payments for a determinated period and pay 50% of the interest accrued on the outstanding debt during the suspension period.

The European Central Bank also intervened during 2020 by adopting an extraordinary monetary package to support the eurozone's real economy and during the first half of 2021 the Governing Council decided to reconfirm the very accommodative stance of its monetary policy, in particular:

- 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. The Governing Council expects key ECB interest rates to remain at or below their current levels until it sees the inflation outlook converging firmly to a level sufficiently close to but below 2% over its projection horizon and this convergence is consistently reflected in core inflation dynamics;
- the Governing Council will continue to conduct net asset purchases under the pandemic emergency purchase programme (PEPP), with a total budget of €1.850 billion, at least until the end of March 2022 and, in any case, until it deems the critical phase related to the coronavirus to be over. Purchases will be made in a flexible manner according to market conditions, with the aim of avoiding a tightening of funding conditions incompatible with counteracting the downward effect of the pandemic on the expected inflation profile. In addition, the flexibility of purchases over time across asset classes and countries will continue to support the orderly transmission of monetary policy. The Governing Council will continue to reinvest the principal repaid on maturing securities under the PEPP at least until the end of 2023. In any case, future reductions in the PEPP portfolio will be managed so as to avoid interference with the appropriate monetary policy stance;
- net purchases under the Asset Purchase Programme (AAP) will continue at a monthly pace of €20 billion. The Governing Council continues to expect that monthly net purchases of assets under the AAP will continue as long as necessary to reinforce the accommodative impact of its key policy rates and that they will end shortly before the ECB starts to raise its key policy rates. The Governing Council also intends to continue to reinvest, in full, the principal repaid on maturing securities under the EAP for an extended period of time after the date on which it begins to raise the ECB's key interest rates, and in any event for as long as necessary to maintain favourable liquidity conditions and a broad degree of monetary accommodation;
- Finally, the Governing Council will continue to provide abundant liquidity through its refinancing operations. In particular, the last operation of the third series of targeted longer-term refinancing operations (TLTRO-III) saw a high volume of funds provided. The liquidity obtained through OMRLT-III plays a crucial role in supporting bank credit to businesses and households.

The authorities' attention is also focused on the need to contain possible financial shocks and the consequent pro-cyclical effects, potentially expected when the aforementioned measures to support the real economy come to an end, forcing economic operators to face possible liquidity crises that until then had been sterilised by the imposing support measures such as moratoria and state guarantees. In this context, the monitoring and management of credit risk continues to represent the main issue to which attention should be paid, both as regards the classification of credit exposures and the consequent valuation, in line with the indications and measures of international authorities which have expressed themselves on the subject several times during 2020, stressing the importance of the attention that credit institutions should pay in this delicate phase to the management of credit risk, in order to promptly identify all possible signs of deterioration of exposures.

Part A - Accounting policies

It should be noted the European Central Bank recommendation adopted on December 15th, 2020 (Recommendation ECB/2020/62, published in the Official Journal of the European Union on December 18th, 2020, repealing Recommendation ECB/2020/35 of July 27th, 2020) on the dividend distribution and share buy-back policies that credit institutions and significant supervised groups should adopt in the economic conditions resulting from the COVID-19 emergency, stressing the importance of continuing to take a prudent approach to dividend distributions or share buy-backs aimed at remunerating shareholders. In a Press Release on December 16th, 2020, the Bank of Italy announced its decision to maintain an extremely prudent approach, in line with the stance adopted by the European Central Bank for significant banks, in order to safeguard the ability of banks to absorb losses and provide loans to support the economy. In particular, the Bank of Italy recommended that, until September 30th, 2021, Italian less significant banks should refrain from deciding or paying out dividends or limit these dividends to no more than 15 per cent of the accumulated profit for the financial years 2019 and 2020, or no more than 20 basis points in terms of the Common Equity Tier 1 ratio, whichever is lower, refrain from deciding on or paying out provisional dividends in relation to profit for 2021 and exercise extreme prudence in calculating variable remuneration.

On 23 July 2021, the European Central Bank decided not to extend beyond September 2021 its recommendation to all banks to limit dividends. Instead, supervisors will resume assessing each bank's capital and dividend plans as part of the regular supervisory process.

On 27 July 2021, the Bank of Italy also published a new recommendation on banks' dividend distribution and variable remuneration policies that repeals the Recommendation of 16 December 2020. In line with the decision taken by the European Central Bank, Banca d'Italia will revert to adopting the criteria for capital assessment and dividend distribution and share repurchase plans by banks as part of the ordinary SREP process.

However, the recommendation on dividends remains applicable until 30 September 2021, so decisions on dividend payout are expected to be taken in the fourth quarter of 2021.

The documents issued by the various European Authorities/Standard setters, with regard to accounting aspects and financial reporting, concerned, in particular, the following specific issues

- indications concerning the classification of receivables and in particular guidelines for the treatment of moratoria;
- the determination of the Expected Credit Loss (ECL) according to IFRS 9 from a forward-looking perspective;
- transparency and market disclosure.

The main documents and a summary of their content are provided below:

- 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 following:
  - Business continuity planning;
  - Market disclosure: issuers should disclose as soon as possible any relevant significant information concerning the impacts of COVID-19 on their fundamentals, prospects or financial situation in accordance with their transparency obligations under the Market Abuse Regulation;
  - Financial reporting: issuers should provide transparency on the actual and potential impacts of COVID-19, to the extent possible based on both a qualitative and quantitative assessment on their business activities, financial situation and economic performance. This transparency must be provided in the annual financial report for 2019, if this has not already been approved by the management body, or in the next interim report (half-yearly or quarterly report if voluntarily prepared by the company);
  - Fund management: asset managers should continue to apply the requirements on risk management and react accordingly.
- 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. In particular, it clarified that the acceptance of a moratorium should not automatically trigger unlikely-to-pay status, because the payments have been postponed on a legislative basis and as a result the counting of days past due has been suspended until the end of the moratorium. In addition, under its prudential remit, it recommended that banks avoid excessively pro-cyclical assumptions in their provisioning models. For the calculation of expected credit losses, it calls on credit institutions to give greater weight to the stable long-term outlook evidenced by past experience and to take into account support measures taken by public authorities, such as payment moratoria;
- 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”. The ESMA clarified that the measures adopted in the context of the COVID-19 pandemic, which enable the suspension or deferral of payments, should not automatically result in the recognition of a Significant Increase in Credit Risk (SICR) with classification to Stage 2. With regard to the forward-looking component required by IFRS 9, the ESMA referred to the guidance provided by the European Central Bank, which calls on credit institutions to give greater weight to the stable long-term outlook evidenced by past experience and to take into account support measures taken by public authorities, such as payment moratoria. Lastly, the ESMA called on companies to be as transparent as possible, stressing the importance of publicly disclosing, in the relevant financial disclosures, the actual and potential impacts arising from the COVID-19 pandemic, in particular decisions and judgements made on how and the extent to which the effect of COVID-19 and related support measures have been factored into the assessment of SICR and Expected Credit Loss, as well as the use of forward-looking information;
- 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.[28] 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. In particular, the letter provides guidance on:
  - Collective assessment for identifying a significant increase in credit risk (SICR)
  - Long-term macroeconomic forecasts
  - Macroeconomic forecasts over a period of 3 years (2020, 2021 and 2022)
- 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 May 20th, 2020, the ESMA published the public statement "Implications of the COVID-19 outbreak on the half-yearly financial reports", aimed at promoting transparency and consistent application of the European requirements for the information provided in the half-yearly financial reports under the current circumstances related to the COVID-19 pandemic. In particular, the ESMA addressed the issue of the preparation of the interim financial statements according to IFRS and the interim management reports for the 2020 half-yearly reporting periods. It highlighted the need for issuers to provide updated information that is useful to investors to adequately reflect the current and expected impact of the COVID-19 situation on the financial position, performance and cash flows of issuers and the importance of providing information on the identification of the principal risks and uncertainties to which issuers are exposed. Specifically, the ESMA expects that, for many issuers, COVID-19 will constitute a significant event under IAS 34, which will require them to adjust and expand the level of detail of the information provided in the half-yearly financial statements. It also highlighted the need to assess whether the pandemic is an indicator of impairment and consequently perform an impairment test to estimate the recoverable amount of non-financial assets in accordance with IAS 36;
- on July 16th, 2020, Consob issued a call for attention on the financial reporting of listed companies in which it drew the attention of those involved in producing financial reports to the recommendations provided by the ESMA in its public statement "Implications of the COVID-19 outbreak on the half-yearly financial reports" referred to above. In line with that document, Consob also considers the judgements that directors are required to make pursuant to IAS 36 "Impairment of Assets" are important for the preparation of the half-yearly reports. In particular, issuers must assess whether the effects of the COVID-19 pandemic constitute indicators of impairment that require specific tests to be performed on the recoverability of the assets. Particular attention should be paid to the description of the significant uncertainties and risks related to COVID-19, especially if they cast doubt on the issuer's ability to continue as a going concern. Consob also added the guidance, regarding the description of the impacts of the COVID-19 pandemic on profit or loss, that issuers should provide information, also on a quantitative basis, in an individual note to their interim financial statements, to allow users of the financial statements to understand the overall impact of the pandemic on the profit or loss for the period;
- on October 28th, 2020, the ESMA published its annual public statement "European common enforcement priorities for 2020 annual financial reports". This document consists of 3 sections:
  - Section 1 – Containing the common priorities for the IFRS financial statements for the year 2020 and related to the following accounting standards:
    - IAS 1 Presentation of Financial Statements;
    - IAS 36 Impairment of Assets;
    - IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures;
    - IFRS 16 Leases
  - Section 2 - Containing priorities for non-financial statements and relating to:

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

Part A - Accounting policies

  - Impact of the COVID-19 pandemic on non-financial matters;
  - Social and employee matters;
  - Business model and value creation; and
  - Risk relating to climate change.
- Section 3 - Containing considerations on the application of the ESMA Guidelines on Alternative Performance Measurement (APM) in relation to COVID-19[29].

In setting its priorities, the ESMA focused on the need to provide appropriate and transparent information on the consequences of the COVID-19 pandemic, referring to the recommendations and concepts already set out in the public statement “Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9” published in March 2020 and the public statement “Implications of the COVID-19 outbreak on the half-yearly financial reports” published in May 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. As the COVID-19 pandemic progressed, the European Central Bank had identified heterogeneous practices among significant institutions in implementing the letter of April 1st, 2020, and had therefore considered it necessary to emphasise the importance for significant institutions of ensuring that credit risk is properly assessed, classified and measured in their financial statements. This serves to provide appropriate solutions to distressed debtors in a timely manner, helping to contain the build-up of problem assets at banks and consequently minimise and mitigate any cliff effects where possible. In this regard, it is crucial that significant institutions strike the right balance between avoiding excessive pro-cyclicality and ensuring that the risks they are facing (or will face) are adequately reflected in their internal risk measurement and management processes, financial statements and regulatory reporting.

Risks, uncertainties and impacts of the COVID-19 pandemic

In the section “Events during the period” of the Consolidated interim 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. 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 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 June 30st, 2021, these estimates may be affected by the evolution of the COVID-19 pandemic that are not yet foreseeable.

Risks and uncertainties related to the use of estimates

In the presentation of the half year consolidated financial statements at June 30, 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.

[29] On April 17th, 2020, the ESMA published the document “Questions and answers - ESMA Guidelines on Alternative Performance Measures (APMs)”, concerning the application of its APM guidelines in the context of the COVID-19 pandemic.

Part A - Accounting policies

The processes adopted support the carrying amounts at June 30, 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 and related adjustments and, in general, any other financial assets/liabilities (for more details see the specific section “Impairment” set out in Part A - Accounting policies of the Notes to the consolidated accounts of financial statements as at 31 December 2020);
- employee severance pay provision and other employee and personal financial advisor benefits;
- provisions for risks and charges;
- goodwill;
- deferred tax assets;
- tax liabilities;

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

With regard to the measurement of credit exposures, either consisting of loans or securities, IFRS 9 requires the measurements to not only consider historical and current information, but also macroeconomic forecast information (forward looking components). During the current crisis, updating the scenarios underlying forward-looking data is an especially complex exercise. The extent of the macroeconomic repercussions of the suspension of economic and social activity during the spread of COVID-19 is still being widely debated, including in light of the extraordinary relief measures for families and businesses that various European countries have taken to help mitigate the impact of the crisis. For more details, see Part E - Information on risks and related hedging policies of these Notes to the accounts.

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 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 a forborne exposure.

On the other hand, it should be noted that from 2021, in order to better comply with IFRS 9, a new staging allocation method has been introduced for the securities exposures in the Group's portfolio. The new methodology, which is based on the rating change that occurred between the time the position was originated/purchased and the rating at the date of analysis, replaces the previous "low risk exemption" criterion, which was also specifically provided for in the accounting standard. The decision to adopt a new methodology for staging allocation is in no way attributable to the pandemic crisis, and was 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 30 June 2021, the Bank has assessed that the changes reasonably estimated in the prospective data used as at 31 December 2020 are not such as to have a significant impact on the positive outcome of the impairment test carried out with reference to that date, the results of which confirmed 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 at that date show that the impairment test would reach a break-even level assuming changes in the main parameters used in the valuation model that cannot be reasonably assumed at present. 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 financial statements as of 31 December 2020. To this end, it should be further noted that the Bank, unlike many issuers in the financial sector, has a market capitalisation (amounting to € 8,966 million as at 30 June 2021) in excess of its book equity.

Part A - Accounting policies

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.

With regard to the assessment of the recoverability of the deferred tax assets and the existence of indicators of impairment of the property used for business purposes and the property held for investment purposes, see the information provided in the section “Risks, uncertainties and impacts of the COVID-19 pandemic” in the Consolidated interim Report on Operations.

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

Continuing of the COVID-19 pandemic and the associated restrictive measures resulted in negative effects on the real economy, which are expected to be partially offset by the economic support measures implemented by governments. FinecoBank has taken these circumstances into account in its valuation of the significant financial statement and, while it is aware of the current uncertainty about the expected economic recovery and the long-term impacts of the restrictive measures adopted, it believes, on the basis of those valuations, 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. These scenarios may be affected by factors such as the uncertainties arising from the COVID-19 pandemic and the containment measures that have been and may be implemented in the future to contain the spread of the virus, as well as the measures to support the economy, households and businesses, implemented by governments and supported by the central bank monetary policies.

In performing this valuation, the Bank has also considered the Group’s key regulatory indicators, in terms of the period end figures at June 30, 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 believe that they are reasonably confident 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 half year consolidated financial statements ended at June 30, 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 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 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.

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 June 30, 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 € 1,190 thousand (of which € 882 thousand relating to the contributions paid for the intervention in favour of Carige and € 308 thousand relating to the contributions paid for the intervention in favour of Carim, Carismi and CariCesena).

In particular, the fair value measurement as at June 30, 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 no significant changes compared to 31 December 2020. The measurement model adopted is based on the Discounted Cash Flow model depending on recovery assumptions.

The fair value measurement as at June 30, 2021 of equity instruments booked by the Bank as part of the initiative supporting Banca Carige S.p.A. showed no significant changes compared to 31 December 2020. As market or price valuations of comparable instruments were not available nor, the fair value of the instrument was determined by the Group using internal models based on Market Multiples methodology applied to multi-scenario analysis. The scenarios considered in the valuation do not take into account, on a prudential basis, the recent recovery in bank stock prices and the improvement in the coverage of Carige's impaired loans, in view of the uncertainties linked to the impact of the pandemic crisis on the valuation of the institution.

Part A - Accounting policies

Contributions to guarantee and resolution funds

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

With regard to the contribution obligations under Directive 2014/49/EU (Deposit Guarantee Schemes - DGS), contributions will be due and recognised, in application of IFRIC 21, in the third quarter of the financial year.

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 ordinary annual contribution 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 (€ 5,812 thousand in first semester 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 in June 2021, recognised under item 190. "Administrative expenses b) other administrative expenses", and amounting to € 1,893 thousand (€ 217 thousand in first semester 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.

Other information

The Condensed interim consolidated financial statements as at June 30, 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 condensed interim consolidated financial statements at 30 June 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 "Hedging transactions".

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".

As regards the criteria for classification, recognition and measurement of the main items in the financial statements, please refer to what is illustrated in Part A.2 of the Notes to the consolidated accounts of the consolidated Financial Statements closed on 31 December 2020.

Hedging transactions

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.

<u>Hedging transactions IFRS 9 - Specific hedges ("Micro Hedge Accounting")</u>

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).

Part A - Accounting policies

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. Changes in the fair value of the hedged item, 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;
- 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. The ineffective part of the hedge is recognised in the consolidated income statement under item 90. 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. Net hedging gains (losses).

At the reporting date of these condensed interim consolidated financial statements as of 30 June 2021, the Group has specific hedging transactions in place for the interest rate risk of debt securities.

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".

Part A - Accounting policies

<u>Hedging transactions IAS 39 - Generic hedging ("Macro Hedge Accounting")</u>

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.

At the reporting date of the condensed consolidated interim financial statements as at 30 June 2021, the Group has in place generic interest rate hedges of mortgages to retail customers and fixed rate direct funding from customers.

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") 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.

Part A - Accounting policies

To this end, the Group, taking into consideration the indications expressed by the Authorities[30], 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 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 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 measured at amortised cost".

[30] 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 Law Decrees "Cura Italia" and "Rilancio" acquired following their transfer by direct beneficiaries or previous purchasers'.

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

Part A - Accounting policies

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

No data to report.

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

No data to report.

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

No data to report.

Part A - Accounting policies

A.4 Information on fair value

Qualitative information

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

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

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

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

A financial instrument shall be considered as quoted in an active market if quoted prices are readily and regularly available from a pricing service, dealer, broker, pricing or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If official listing in an active market is not available for a financial instrument as a 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 has been updated in 2020 and consists of a Global Policy and an Operative Manual. The Global Policy sets the principles and the rules governing the fair value measuring framework and the independent price verification process, whereas the Operative Manual describes the process in detail and identify Fair Value measuring techniques as well as independent price verification methodologies applicable for each financial instrument held by the Group.

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

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

Description of evaluation techniques

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

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

Part A - Accounting policies

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

Fair Value Adjustments (FVAs)

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

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

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.

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;
- Level 2: the fair value for instruments classified within this level is determined according to valuation models using observable market inputs;
- Level 3: the fair value for instruments classified within this level is determined through to valuation models largely used use significant inputs not observable on active markets.

Part A - Accounting policies

A.4.4 Other information

Hereby we provide IFRS 13 disclosure requirements.

Assets and liabilities measured at fair value on recurring basis

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

With reference to the quantitative disclosures required by IFRS 13 on the significant unobservable inputs used in measuring fair value and the sensitivity analysis of financial assets and liabilities measured at fair value level 3, 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 Visa INC class "C" preferred shares 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 Instruments" below.

Fixed Income Securities

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

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

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

Structured Financial Products

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

OTC derivatives

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

Equity Instruments

Equity Instruments shall be marked as 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", 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. As at 30 June 2021 such factor was determined equal to 7.52%, estimating as at June 30, 2021, litigation risk at 1.52% 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 instead using an internal model adopted by the Group based on the Market Multiples methodology applied in multi-scenario analysis. 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.

Part A - Accounting policies

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 summarised below

Financial instruments not measured at fair value on a non-recurring 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. Financial assets valued at amortised cost, whose duration is less than 12 months, for which the fair value has been estimated to be equal to the book value, have been assigned the level 3 fair value hierarchy.

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

Financial liabilities at amortised cost

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

Cash and cash balances

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

Part A - Accounting policies

Quantitative information

A.4.5 Fair value hierarchy

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

(Amounts in € thousand)

Assets/Liabilities at fair value	06/30/2021			12/31/2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	18,459	3,516	6,256	13,973	3,491	10,521
a) financial assets held for trading	17,876	3,516	1	13,506	3,491	-
b) financial assets designated at fair value	-	-	-	-	-	-
c) other financial assets mandatorily at fair value	583	-	6,255	467	-	10,521
2. Financial assets at fair value through other comprehensive income	143,438	-	5	143,693	-	5
3. Hedging derivatives	-	65,252	-	-	19,003	-
4. Property, plant and equipment	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	**161,897**	**68,768**	**6,261**	**157,666**	**22,494**	**10,526**
1. Financial liabilities held for trading	3,444	1,474	19	4,028	1,843	18
2. Financial liabilities designated at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	105,693	-	-	214,388	-
Total	**3,444**	**107,167**	**19**	**4,028**	**216,231**	**18**

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

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

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

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

Part A - Accounting policies

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

(Amounts in € thousand)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	06/30/2021				12/31/2020			
	VB	L1	L2	L3	VB	L1	L2	L3
1. Financial assets at amortised cost	30,437,421	19,844,976	5,299,714	6,161,989	29,093,523	18,800,104	5,909,192	5,528,113
2. Tangible assets held for investment	1,818	-	-	2,367	1,872	-	-	2,367
3. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**30,439,239**	**19,844,976**	**5,299,714**	**6,164,356**	**29,095,395**	**18,800,104**	**5,909,192**	**5,530,480**
1. Financial liabilities at amortised cost	30,314,279	-	1,034,207	29,274,678	29,424,598	-	942,853	28,474,782
2. Liabilities included in disposal group classified as held for sale	-	-	-	-	-	-	-	-
Total	**30,314,279**	**-**	**1,034,207**	**29,274,678**	**29,424,598**	**-**	**942,853**	**28,474,782**

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

Tangible assets held for investment consist of one property held by the Bank, the fair value of which corresponds to the market value as determined by an appraisal carried out by an external and independent valuation firm during 2020.

Part A - Accounting policies

A.5 Day-one profit/loss

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

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

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

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

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

Part B - Consolidated Balance Sheet

Assets

Section 1 - Cash and cash balances - Item 10

1.1 Cash and cash balances: breakdown

(Amounts in € thousand)

	Total 06/30/2021	Total 12/31/2020
a) Cash	680	7
b) Demand deposits with Central banks	1,561,615	1,760,341
Total	**1,562,295**	**1,760,348**

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

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

2.1 Financial assets held for trading: product breakdown

(Amounts in € thousand)

Items/Amounts	Total 06/30/2021			Total 12/31/2020		
	L1	L2	L3	L1	L2	L3
A. Balance sheet assets						
1. Debt securities	1	-	-	-	-	-
1.1 Structured securities	1	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity instruments	14,704	-	-	9,942	-	-
3. Units in investment funds	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**14,705**	**-**	**-**	**9,942**	**-**	**-**
B. Derivative instruments	-	-	-	-	-	-
1. Financial derivatives	3,171	3,516	1	3,564	3,491	-
1.1 trading financial derivatives	3,171	3,516	1	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)	**3,171**	**3,516**	**1**	**3,564**	**3,491**	**-**
Total (A+B)	**17,876**	**3,516**	**1**	**13,506**	**3,491**	**-**

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

Part B - Consolidated Balance Sheet

Financial derivatives refer to the positive valuation of CFD contracts on forex, indices, shares, interest rates, commodities and futures used for the operational hedging of CFDs on indices, interest rates and commodities. They amounted to € 3,336 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 € 3,352 thousand (€ 3,702 thousand as at December 31, 2020).

Sub-item B. "Derivatives" also includes the positive valuation of spot purchase and sale contracts for securities belonging to the "Financial assets held for trading" portfolio and currencies to be settled within the timeframe envisaged by market practices (so-called "regular way").

2.5 Other financial assets mandatorily at fair value: product breakdown

(Amounts in € thousand)

Items/Accounts	Total 06/30/2021			Total 12/31/2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	**69**	**-**	**-**	**50**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	69	-	-	50	-	-
2. Equity instruments	**1**	**-**	**6,255**	**7**	**-**	**10,521**
3. Units in investment funds	**513**	**-**	**-**	**410**	**-**	**-**
4. Loans	**-**	**-**	**-**	**-**	**-**	**-**
4.1 Reverse repos	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	**583**	**-**	**6,255**	**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 € 5,059 thousand, which saw a positive change in fair value during 2020 of € 525 thousand and the residual equity instruments exposure following the contribution paid to the Voluntary Scheme set up by the Interbank Deposit Guarantee Fund (IDGF) amounting to € 1,190 thousand (of which € 882 relating to the Banca Carige transaction and € 308 thousand relating to Carim, Carismi and CariCesena transaction), which did not record any significant changes in fair value during the first half of 2021. 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 mandatorily at fair value" at 31 December 2020 were sold during the first half of 2021.

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

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

Part B - Consolidated Balance Sheet

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

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

(Amounts in € thousand)

Item/Amounts	Total 06/30/2021			Total 12/31/2020		
	L1	L2	L3	L1	L2	L3
1. Debts securities	**143,438**	**-**	**-**	**143,693**	**-**	**-**
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	143,438	-	-	143,693	-	-
2. Equity instruments	**-**	**-**	**5**	**-**	**-**	**5**
3. Loans	**-**	**-**	**-**	**-**	**-**	**-**
Total	**143,438**	**-**	**5**	**143,693**	**-**	**5**

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

"Financial assets at fair value through other comprehensive income" consist of securities issued by sovereign States and, residually, of equity interests in companies in which the Group does not exercise control or significant influence for € 5 thousand for which, upon first application of IFRS 9, the "FVTOCI"[31] option was exercised. For more details, see the information on Sovereign exposures set out in Part E of the notes to the accounts.

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

(Amounts in € thousand)

	Gross value				Write-downs			Partial write-offs
	First stage	of which: low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	
Debt securities	143,450	-	-	-	(12)	-	-	-
Loans	-	-	-	-	-	-	-	-
Total 06/30/2021	**143,450**	**-**	**-**	**-**	**(12)**	**-**	**-**	**-**
Total 12/31/2020	**143,710**	**143,710**	**-**	**-**	**(17)**	**-**	**-**	**-**
of which: financial assets purchased or originated credt impaired	X	X	-	-	X	-	-	-

31 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

3.3a Loans and advances measured 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 at amortised cost: product breakdown of loans and receivables with banks

(Amounts in € thousand)

Type of transaction/Amounts	Total 06/30/2021						Total 12/31/2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3
A. Loans and receivables with Central Banks	**283,664**	**-**	**-**	**-**	**-**	**283,664**	**271,500**	**-**	**-**	**-**	**-**	**271,500**
1. Time deposits	-	-	-	X	X	X	-	-	-	X	X	X
2. Compulsory reserves	283,664	-	-	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 with banks	**7,124,739**	**-**	**-**	**1,682,262**	**5,117,801**	**408,089**	**7,982,831**	**-**	**-**	**1,756,035**	**5,860,094**	**508,973**
1. Loans	408,089	-	-	-	-	408,089	508,973	-	-	-	-	508,973
1.1 Current accounts and demand deposits	299,481	-	-	X	X	X	254,051	-	-	X	X	X
1.2. Time deposits	70,242	-	-	X	X	X	45,367	-	-	X	X	X
1.3 Other loans:	38,366	-	-	X	X	X	209,555	-	-	X	X	X
- Reverse Repos	1,183	-	-	X	X	X	1,122	-	-	X	X	X
- Finance leases	-	-	-	X	X	X	-	-	-	X	X	X
- Others	37,183	-	-	X	X	X	208,433	-	-	X	X	X
2. Debts securities	6,716,650	-	-	1,682,262	5,117,801	-	7,473,858	-	-	1,756,035	5,860,094	-
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	6,716,650	-	-	1,682,262	5,117,801	-	7,473,858	-	-	1,756,035	5,860,094	-
Total	**7,408,403**	**-**	**-**	**1,682,262**	**5,117,801**	**691,753**	**8,254,331**	**-**	**-**	**1,756,035**	**5,860,094**	**780,473**

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

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

Part B - Consolidated Balance Sheet

The item “Other loans: Other" refers for € 27,914 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 € 9,267 thousand to current receivables associated with the provision of financial services (€ 6,041 thousand as at December 31, 2020).

The item “Debt securities” includes € 4,972,633 thousand relating to debt securities issued by UniCredit S.p.A. (€ 5,738,917 thousand as at December 31, 2020).

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

(Amounts in € thousand)

Type of transaction/Amounts	Total 06/30/2021						Total 12/31/2020					
	Carrying amount			Fair value			Carrying amount			Fair value		
	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3	First and second stage	Third stage	of which: purchased or originated credit impaired	L1	L2	L3
1. Loans	**5,264,840**	**4,528**	**-**	**-**	**-**	**5,470,236**	**4,524,307**	**3,530**	**-**	**-**	**-**	**4,747,640**
1.1 Current	1,810,637	2,456	-	X	X	X	1,600,663	2,103	-	X	X	X
1.2 Reverse repos	216,829	25	-	X	X	X	154,963	51	-	X	X	X
1.3 Mortgages	2,080,475	932	-	X	X	X	1,667,948	338	-	X	X	X
1.4 Credit cards, personal loans and wage assignment loans	757,860	913	-	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	399,039	202	-	X	X	X	368,244	167	-	X	X	X
2. Debt securities	**17,759,650**	**-**	**-**	**18,162,714**	**181,913**	**-**	**16,311,355**	**-**	**-**	**17,044,069**	**49,098**	**-**
2.1 Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Other debt securities	17,759,650	-	-	18,162,714	181,913	-	16,311,355	-	-	17,044,069	49,098	-
Total	**23,024,490**	**4,528**	**-**	**18,162,714**	**181,913**	**5,470,236**	**20,835,662**	**3,530**	**-**	**17,044,069**	**49,098**	**4,747,640**

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

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.

Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

		Gross value				Write-downs			
		First stage	of which: with low credit risk	Second stage	Third stage	First stage	Second stage	Third stage	Partial write-offs
Debt securities		24,482,112	-	-	-	(5,812)	-	-	-
Loans		5,955,520	-	14,477	24,310	(9,766)	(3,638)	(19,782)	-
Total	**06/30/2021**	**30,437,632**	**-**	**14,477**	**24,310**	**(15,578)**	**(3,638)**	**(19,782)**	**-**
Total	**12/31/2020**	**29,096,800**	**23,792,707**	**13,277**	**25,489**	**(16,326)**	**(3,758)**	**(21,958)**	**-**
of which: purchased or originated credit impaired financial assets		X	X	-	-	X	-	-	-

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	First stage	Second stage	Third stage	Write off partial total*
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)		4,937	-	-	-	(63)	-	-	-
2. Other loans and advances subject to COVID-19-related forbearance measures		1,144	-	1,194	86	(14)	(17)	(12)	-
3. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis		-	-	-	-	-	-	-	-
Total	**06/30/2021**	**6,081**	**-**	**1,194**	**86**	**(77)**	**(17)**	**(12)**	**-**
Total	**12/31/2020**	**16,286**	**-**	**1,236**	**45**	**(41)**	**(56)**	**(36)**	**-**

Part B - Consolidated Balance Sheet

Section 5 – Hedging derivatives – Item 50

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

(Amounts in € thousand)

	Fair Value 06/30/2021			NA	Fair Value 12/31/2020			NA
	L1	L2	L3	06/30/2021	L1	L2	L3	12/31/2020
A. Financial derivatives								
1. Fair value	-	65,252	-	3,959,349	-	19,003	-	620,000
2. Cash flows	-	-	-	-	-	-	-	-
3. Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives								
1. Fair value	-	-	-	-	-	-	-	-
2. Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**65,252**	**-**	**3,959,349**	**-**	**19,003**	**-**	**620,000**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Part B - Consolidated Balance Sheet

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

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

(Amounts in € thousand)

Fair value of hedged assets/Amounts	Total 06/30/2021	Total 12/31/2020
1. Positive changes	**28,863**	**55,448**
1.1 of specific portfolios:	28,863	55,448
a) financial assets at amortized cost	28,863	55,448
b) financial assets at fair value through other comprehensive income	-	-
1.2 overall	-	-
2. Negative changes	**(9,064)**	**-**
2.1 of specific portfolios	(9,064)	-
a) financial assets at amortized cost	(9,064)	-
b) financial assets at fair value through other comprehensive income	-	-
2.2 overall	-	-
Total	**19,799**	**55,448**

Section 7 - Equity investments - Item 70

No data to report.

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

No data to report.

Part B - Consolidated Balance Sheet

Section 9 - Property, plant and equipment - Item 90

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

(Amounts in € thousand)

Assets/Amounts	Total 06/30/2021	Total 12/31/2020
1. Owened assets	**82,823**	**84,638**
a) lands	23,932	23,932
b) buildings	40,425	41,050
c) office furniture and fittings	3,080	3,092
d) electronic system	12,943	13,846
e) other	2,443	2,718
2. Assets under financial lease	**68,389**	**65,361**
a) lands	-	-
b) buildings	68,038	64,920
c) office furniture and fittings	-	-
d) electronic system	-	-
e) other	351	441
Total	**151,212**	**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 as at December 31, 2020.

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

It should be noted that as of 30 June 2021, there are no indicators that would require an adjustment to the carrying amount of the property.

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

(Amounts in € thousand)

Assets/Amounts	Total 06/30/2021				Total 12/31/2020			
	Carrying value	Fair value			Carrying value	Fair value		
		L1	L2	L3		L1	L2	L3
1. Owened assets	**1,818**	**-**	**-**	**2,367**	**1,872**	**-**	**-**	**2,367**
a) lands	-	-	-	-	-	-	-	-
b) buildings	1,818	-	-	2,367	1,872	-	-	2,367
2. Assets under financial lease	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) lands	-	-	-	-	-	-	-	-
b) buildings	-	-	-	-	-	-	-	-
Total	**1,818**	**-**	**-**	**2,367**	**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 - Consolidated Balance Sheet

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

No data to report.

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

No data to report.

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

No data to report.

Part B - Consolidated Balance Sheet

Section 10 - Intangible assets - Item 100

10.1 Intangible assets: breakdown by type assets

(Amounts in € thousand)

Assets/Amount	Total 06/30/2021		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 to minorities	X	-	X	-
A.2 Other intangible assets	**10,730**	**27,459**	**12,138**	**27,459**
A.2.1 Assets carried at cost	10,730	27,459	12,138	27,459
a) intangible assets generated internally	-	-	-	-
b) other assets	10,730	27,459	12,138	27,459
A.2.2 Assets carried at fair value	-	-	-	-
a) intangible assets generated internally	-	-	-	-
b) other assets	-	-	-	-
Total	**10,730**	**117,061**	**12,138**	**117,061**

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

The useful life of softwares, considered for the calculation of amortisation, is 3 years, while the useful life of other intangible assets with definite life is 5 years. A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of these Notes to the consolidated accounts as at December 31, 2020.

With regard to the considerations made at 30 June 2021 concerning the impairment test of intangible assets with finite and indefinite useful lives, specifically goodwill, brands and Fineco domains, there were no indicators that would require adjustments to be made to the related carrying amounts. For further details on the impairment test of intangible assets with an indefinite useful life, please refer to the paragraphs below.

10.3 Other information

As at June 30, 2021 the contractual commitments to purchase intangible assets amount to € 561 thousand.

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

Other information - Impairment test

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

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

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

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

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

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.

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

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

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

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

Impairment test model

The calculation of the value in use for the purposes of impairment testing is made using the Discounted Cash Flow (DCF) model. The cash flows are determined by subtracting the annual capital requirement generated by the change in the risk-weighted assets from net profit. This capital requirement is determined by considering the long-term capitalisation to be achieved, also in light of the minimum regulatory capital requirements.

Impairment test results

With reference to the results of the impairment test, it should be noted that at 30 June 2021 there were no indicators of impairment of goodwill and Fineco brands and domains recognised in the financial statements. In this regard, it should be noted that at 30 June 2021, the Bank assessed that the changes reasonably estimated in the forward-looking data used at 31 December 2020 were not such as to have a significant impact on the positive outcome of the impairment test carried out at that date, the results of which confirmed the sustainability of the goodwill recognised in the financial statements and did not indicate the need for an impairment loss in any of the hypothesised scenarios, confirming a value in use that was significantly higher than the carrying amount. The sensitivity analyses carried out on that date also show that the impairment test would reach a break-even level assuming changes in the main parameters used in the valuation model that cannot be reasonably assumed at present. It should also be noted that FinecoBank's stock has a market capitalisation at 30 June 2021 of € 8,966 million, which is significantly higher than consolidated equity and the result of the model used for the impairment test, confirming the reasonableness of the criteria applied in calculating value in use.

For more details on the impairment test and related sensitivity analyses, please refer to Part B - Information on the consolidated balance sheet - Section 10 - Intangible assets of the consolidated notes to the financial statements at 31 December 2020.

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

The item "Tax assets" amounting to € 38,323 thousand at June 30, 2021, it is only made of "Deferred tax assets".

The item "Tax liabilities" amounting to € 35,666 thousand at the same date, it is only made of "Current tax liabilities".

Current Tax Assets and Liabilities

(Amounts in € thousand)

Assets/amounts	Total 06/30/2021	Total 12/31/2020
Current tax assets	-	5,166
Current tax liabilities	35,666	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 € 41,314 thousand recognised as a balancing entry in the income statement;
- "Deferred tax assets" of € 719 thousand recognised as a balancing entry of shareholders' equity;
- "Deferred tax liabilities" of € 2,329 thousand recognised as a balancing entry in the income statement;
- "Deferred tax liabilities" of € 1,382 thousand recognised as a balancing entry of shareholders' equity.

In accordance with the law and regulations currently in force:

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

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

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

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

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11.1 Deferred tax assets: breakdown

(Amounts in € thousand)

Assets/Amounts	Total 06/30/2021	Total 12/31/2020
Allocations through profit or loss	**38,543**	**28,024**
- of which Patent Box ex D.L. n.3/2015	6,593	4,395
- of which Provisions for Risks and Charges	18,202	19,736
- of which Other	13,748	3,893
Allocations through equity	**719**	**835**
- of which Revaluation reserve application IAS 19	719	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	**42,034**	**32,159**
Offset against deferred tax liabilities - IAS 12	(3,711)	(24,010)
Total	**38,323**	**8,149**

11.2 Deferred tax liabilities: breakdown

(Amounts in € thousand)

Assets/Amounts	Total 06/30/2021	Total 12/31/2020
Allocations through profit or loss	**2,329**	**26,078**
- of which Goodwill and Brand	1,841	25,527
- of which Exposures in equity instruments with Voluntary Scheme	394	396
- of which Other	94	156
Allocations through equity	**1,382**	**1,682**
- of which Revaluation reserve application IAS 19	509	507
- of which Financial assets at fair value through comprehensive income	873	1,175
Total before IAS 12 offset	**3,711**	**27,760**
Offset against deferred tax assets - IAS 12	(3,711)	(24,010)
Total	**-**	**3,750**

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.

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Section 13 – Other assets – Item 130

13.1 Other assets: breakdown

(Amounts in € thousand)

	Total 06/30/2021	Total 12/31/2020
Trade receivables according to IFRS15	3,900	3,603
Tax credits purchased	75,065	-
Current receivables not related with the provision of financial services	481	2,359
Improvement and incremental expenses incurred on leasehold assets	5,669	6,361
Definitive items not recognised under other items:	33,199	21,223
- securities and coupons to be settled	13,273	1,135
- other transactions	19,926	20,088
Tax items other than those included in the item "Tax assets":	108,394	258,997
- tax advances	103,463	254,480
- tax credit	4,931	4,486
- tax advances on employee severance indemnities	-	31
Items awaiting settlement:	6,419	2,627
- notes, cheques and other documents	6,419	2,627
Items in processing	33	9
Items in transit not allocated to relevant accounts	25	14
Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities	22,634	34,738
Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities	73,356	30,696
Total	**329,175**	**360,627**

It should be noted that as at 30 June 2021, prepayments related to the extraordinary incentive treatment that the Bank grants to personal 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 related to contracts with customers other than capitalised in related financial assets or liabilities", amounting to €19,529 thousand.

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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 06/30/2021				Total 12/31/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Deposits from central banks	**1,039,569**	X	X	X	**949,604**	X	X	X
2. Deposits from banks	**133,233**	X	X	X	**115,255**	X	X	X
2.1 Other current accounts and demand deposits	62,572	X	X	X	43,317	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3 Loans	58,024	X	X	X	53,422	X	X	X
2.3.1 Repos	58,024	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	4,093	X	X	X	4,225	X	X	X
2.6 Other liabilities	8,544	X	X	X	14,291	X	X	X
Total	**1,172,802**	**-**	**1,034,176**	**133,232**	**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. As described in the Consolidated Interim Report on operations, FinecoBank participated in the 6th and 7th tranches of the TLTRO III program, for a total amount of € 1,045,000 thousand.

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

(Amounts in € thousand)

Transactions type/Amounts	Total 06/30/2021				Total 12/31/2020			
	BV	Fair Value			BV	Fair Value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	28,312,993	X	X	X	28,033,748	X	X	X
2. Time deposits	31	X	X	X	213	X	X	X
3. Loans	583,880	X	X	X	103,584	X	X	X
3.1 Reverse repos	583,880	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	65,671	X	X	X	61,988	X	X	X
6. Other liabilities	178,902	X	X	X	160,206	X	X	X
Total	**29,141,477**	**-**	**31**	**29,141,446**	**28,359,739**	**-**	**213**	**28,359,527**

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

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

No data to report.

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Section 2 - Financial liabilities held for trading - Item 20

2.1 Financial liabilities held for trading: product breakdown

(Amounts in € thousand)

Transactions type/Amounts	Total 06/30/2021					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	592	230	-	18	248	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)	**592**	**230**	**-**	**18**	**248**	**593**	**467**	**-**	**18**	**485**
B. Derivatives										
1. Financial derivatives	X	3,214	1,474	1	X	X	3,561	1,843	-	X
1.1 Trading derivatives	X	3,214	1,474	1	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**	**3,214**	**1,474**	**1**	**X**	**X**	**3,561**	**1,843**	**-**	**X**
Total (A+B)	**X**	**3,444**	**1,474**	**19**	**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 futures used for the operational hedging of CFDs on indices, interest rates and commodities. They amounted to € 1,572 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 € 3,117 thousand (€ 3,528 thousand as at December 31, 2020).

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

No data to report.

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Section 4 - Hedging derivatives - Item 40

4.1 Hedging derivatives: breakdown by type of hedge and by level

(Amounts in € thousand)

	Fair value 06/30/2021			NA	Fair value 12/31/2020			NA
	L1	L2	L3	06/30/2021	L1	L2	L3	12/31/2020
A. Financial derivatives	**-**	**105,693**	**-**	**3,607,863**	**-**	**214,388**	**-**	**6,257,777**
1) Fair value	-	105,693	-	3,607,863	-	214,388	-	6,257,777
2) Cash flows	-	-	-	-	-	-	-	-
3) Net investment in foreign subsidiaries	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**105,693**	**-**	**3,607,863**	**-**	**214,388**	**-**	**6,257,777**

Key:
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

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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 06/30/2021	Total 12/31/2020
1. Positive changes to financial liabilities	12,893	17,714
2. Negative changes to financial liabilities	-	-
Total	**12,893**	**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 06/30/2021	Total 12/31/2020
Payables to Directors and Statutory auditors	190	224
Payables to employees	15,827	14,400
Social security contributions payable	6,351	7,012
Current payables not related to the provision of financial services	28,989	32,889
Payables for share-based payments	47	47
Definitive items not recognised under other items:	225,009	49,338
- securities and coupons to be settled	25,134	11,513
- payment authorisations	186,361	28,777
- other items	13,514	9,048
Tax items other than those included in the item "Tax liabilities":	28,840	48,532
- sums withheld from third parties as withholding agent	25,505	37,519
- other	3,335	11,013
Illiquid items for portfolio transactions	12,697	23,273
Items awaiting settlement:	83,586	83,525
- outgoing bank transfers	83,535	83,522
- POS and ATM cards	51	3
Items in processing:	299	662
- incoming bank transfers	236	647
- other items in processing	63	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	152	160
Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities	14,144	9,731
Sums available to be paid to customers	5,296	3,991
Total	**421,427**	**273,784**

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Section 9 - Provisions for employee severance pay - Item 90

9.1 Provisions for employee severance pay: annual changes

(Amounts in € thousand)

	Total 06/30/2021	Total 12/31/2020
A. Opening balance	**4,924**	**4,810**
B. Increases	**60**	**125**
B.1 Provision of the year	16	40
B.2 Other increases	44	85
C. Decreases	**(43)**	**(11)**
C.1 Payments made	(43)	(11)
C.2 Other decreases	-	-
D. Closing balances	**4,941**	**4,924**
Total	**4,941**	**4,924**

The total amount of Provisions for employee severance pay as at 30 June, 2021 amounts to € 4,941 thousand (€ 4,924 thousand as at 31 December, 2020).

The following table shows the main actuarial assumptions used to remeasure the liability.

Description of the main actuarial assumptions	06/30/2021	12/31/2020
Discount rate	0.95%	0.65%
Expected inflation rate	1.40%	0.90%

The remeasurement at 30 June 2021 of the liability related to the Provisions for employee severance pay resulted in a negative change in the valuation reserve related to actuarial gains/losses on defined benefit pension plans of €3 thousand net of related taxes.

For further information and details on the amount, timing and uncertainty of cash flows (sensitivities), please refer to the Financial Statements for the year ended 31 December 2020.

Section 10 - Provisions for risks and charges - Item 100

10.1 Provisions risk and charges: breakdown

(Amounts in € thousand)

Items/Components	Total 06/30/2021	Total 12/31/2020
1. Provisions for credit risk of commitments and financial guarantees given	96	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	108,146	112,580
4.1 legal and tax disputes	28,510	28,363
4.2 staff expenses	2,750	5,088
4.3 other	76,886	79,129
Total	**108,242**	**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 € 24,774

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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 € 73,573 thousand (€ 73,136 thousand as at December 31, 2020), the Provision for contractual payments, of € 412 thousand (€ 416 thousand as at December 31, 2020) and other provisions made for risks related to the Group's business and operations, of € 2,901 thousand (€ 5,577 thousand as at December 31, 2020), which at 30 June 2021 included €1,541 thousand related to indemnities and refunds to be paid to customers for costs wrongly charged.

Please note that, with a notice served on FinecoBank S.p.A. on 2 April 2021 ("Opening Notice"), the Italian Antitrust Authority ("AGCM") has initiated a proceeding in order to ascertain the possible existence of unfair commercial practices in violation of Legislative Decree no. 206/2005 ("Consumer Code"). FinecoBank, assisted by its lawyers, provided the Authority within the prescribed time limits with all the information requested for the purposes of the assessment, illustrating the reasons why it believes it acted correctly. Although it is convinced that it has not engaged in any conduct, even if only potentially damaging to the interests of its customers, FinecoBank, in a spirit of transparency and effective cooperation, has also offered the Authority a package of commitments aimed at dispelling any possible doubt about the full consistency of its conduct, even in the future, with the relevant consumer provisions, highlighting its adherence to the principles of diligence, transparency and fairness, so as to facilitate the closure of the proceedings without finding an infringement. That said, since AGCM has not yet formalized its conclusions at the end of the investigation, it is not currently in a position to estimate the risk of FinecoBank being ordered to pay an administrative fine. If the AGCM considers that the commitments submitted by FinecoBank are inadequate to remove the concerns raised in the Initial Notice and concludes that the conduct alleged against FinecoBank constitutes a violation of the Consumer Code, it could impose a fine on the Bank, the amount of which, pursuant to article 27, paragraph 9, of the Consumer Code, would be between € 5,000 and € 5,000,000. As there is currently no information available to predict the outcome of the proceedings, nor the amount of the possible fine, the Bank has considered the same as a contingent liability and, in accordance with IAS 37, is providing this disclosure without making any provisions in these condensed interim consolidated financial statements as at 30 June 2021.

10.3 Provisions for risks and charges for commitments and financial guarantees given

(Amounts in € thousand)

	Provisions for risks and charges for commitments and guarantees given			
	First stage	Second stage	Third stage	Total
Commitments	78	-	-	78
Financial guarantees given	18	-	-	18
Total	**96**	**-**	**-**	**96**

10.4 Provisions for other commitments and other guarantees given

No data to report.

10.5 Pensions and other post-retirement defined-benefit obligations

No data to report.

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10.6 Provisions for risks and charges - other provisions

(Amounts in € thousand)

	Total 06/30/2021	Total 12/31/2020
Legal and fiscal disputes	**28,510**	**28,363**
- Pending cases	20,857	20,518
- Complaints	3,917	4,109
- Tax disputes	3,736	3,736
Staff expenses	**2,750**	**5,088**
Others	**76,886**	**79,129**
- Supplementary customer indemnity provision	73,573	73,136
- Provision for contractual payments and payments under non-competition agreements	412	416
- Other provisions	2,901	5,577
Total	**108,146**	**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 06/30/2021
Legal and fiscal disputes	**28,363**	**(1,101)**	**-**	**-**	**1,248**	**28,510**
- Pending cases	20,518	(1,039)	517	-	861	20,857
- Complaints	4,109	(62)	(517)	-	387	3,917
- Tax disputes	3,736	-	-	-	-	3,736
Staff expenses	**5,088**	**(5,007)**	**-**	**-**	**2,669**	**2,750**
Others	**79,129**	**(5,412)**	**-**	**(2,347)**	**5,516**	**76,886**
- Supplementary customer indemnity provision	73,136	(452)	-	(2,342)	3,231	73,573
- Provision for contractual payments and payments under non-competition agreements	416	-	-	(5)	2	413
- Other provisions	5,577	(4,960)	-	-	2,283	2,900
Total provisions for risks and charges - other provisions	**112,580**	**(11,520)**	**-**	**(2,347)**	**9,433**	**108,146**

* The item " IAS 19R actuarial gains (losses)" includes the actuarial gains (losses) recognised in the item "Revaluation reserves" in application of IAS 19R.
** The item "Net provisions" includes the costs recognised in their own income statement item to better reflect their nature (e.g. "Fee and Commision expenses", "Staff expenses", "Administrative costs" and "Interest expenses and similar charges").

The following table shows the main actuarial assumptions used to measure the liability for the supplementary customer indemnity provision and the provision for contractual payments.

Description of the main actuarial assumptions	06/30/2021	12/31/2020
Discount rate	0.95%	0.65%
Rate salary increase	0.00%	0.00%

For further information and details on the amount, timing and uncertainty of financial flows (sensitivities), please refer to the Financial Statements at December 31, 2020.

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

Part B - Consolidated Balance Sheet

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 accounts.

The **Other Provisions** are mainly allocated to cover the risks related to the business and operations of the Group. The provision specifically includes provisions for marketing and customer loyalty campaigns and incentive plans for the personal financial advisors.

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 June 30, 2021, share capital came to € 201,267 thousand, comprising 609,899,770 ordinary shares with a par value of € 0.33 each.

As at June 30, 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 the first half 2021 n. 55,000 shares were purchased in relation to the "2020 PFA Incentive System" for personal financial advisors identified as "Key personnel", for an amount of € 820 thousand 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 PLAN".

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 Top Management Multi-Year 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 € 36 thousand with immediate effect;
- 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 2018 Incentive System, and of the first tranche of the 2019 Incentive System, 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 06/30/2021	Total 12/31/2020
Share capital	201,267	201,153
Share premium reserve	1,934	1,934
Reserves	980,114	664,489
- Legal reserve	40,253	40,229
- Extraordinary reserve	883,480	571,228
- Treasury shares reserve	1,440	1,189
- Other reserves	54,941	51,843
(Treasury shares)	(1,440)	(1,189)
Revaluation reserves	(1,863)	(2,833)
Equity instruments	500,000	500,000
Net Profit (Loss) for the period	216,670	323,571
Total	**1,896,682**	**1,687,125**

Part B - Consolidated Balance Sheet

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

Items/Type	Ordinary	Others
A. Shares outstanding at the beginning of the year	**609,434,109**	**-**
- 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 tranferred	-	-
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 plan ("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 € 883,480 thousand;
- 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, in particular the Extraordinary reserve, 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.

In formulating the proposal for the allocation of profit for the year, we note that on December 15th, 2020 the European Central Bank adopted Recommendation ECB/2020/62, published in the Official Journal of the European Union on December 18th, 2020 (repealing Recommendation ECB/2020/35 of July 27th, 2020) on dividend distribution and share buy-back policies that credit institutions and significant supervised groups should adopt in the economic conditions resulting from the COVID-19 emergency, which emphasises the importance of continuing to take a prudent approach to dividend distributions or share buy-backs aimed at remunerating shareholders. In a Press Release on December 16th, 2020, the Bank of Italy announced its decision to maintain an extremely prudent approach, in line with the stance adopted by the European Central Bank for significant banks, in order to safeguard the ability of banks to absorb losses and provide loans to support the economy. In particular, the Bank of Italy recommended that, until September 30th, 2021, Italian less significant banks should:

- refrain from deciding or paying out dividends or limit these dividends to no more than 15 per cent of the accumulated profit for the financial years 2019 and 2020, or no more than 20 basis points in terms of the Common Equity Tier 1 ratio, whichever is lower;
- refrain from deciding on or paying out provisional dividends in relation to profit for 2021;
- exercise extreme prudence in calculating variable remuneration.

Considering the above, the FinecoBank Shareholders' Meeting of April 28, 2021 approved, following the proposal of Board of Directors, the allocation of profit for the year 2020 of FinecoBank S.p.A., amounting to € 323,132 thousand, 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 38/2005

As reported under "Significant events during the period" in the consolidated Interim report on operations, it should be noted that on 23 July 2021, the European Central Bank decided not to extend beyond September 2021 its recommendation to all banks to limit dividends. Instead, the supervisory authorities will resume assessing each bank's capital and dividend plans as part of the regular prudential process. In this context, the Bank of Italy has also published a new recommendation on banks' dividend distribution and variable remuneration policies that repeals the Recommendation of 16 December 2020. In line with the decision taken by the European Central Bank, considering that the latest macroeconomic projections show signs of improvement in the economy, Bank of Italy will return to adopting the criteria for capital assessment and dividend distribution and share repurchase plans by banks as part of the ordinary SREP process. However, the recommendation on dividends remains applicable until 30 September 2021, so decisions on dividend payout are expected to be taken in the fourth quarter of 2021.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", during the first half 2021 n. 55,000 shares were purchased in relation to the "2020 PFA Incentive System" for personal financial advisors identified as "Key personnel", for an amount of € 820 thousand 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 PLAN". Consequently the Reserve for treasury shares held has been decreased by € 251 thousand with a simultaneous increase in the Extraordinary reserve.

In addition, during the first half 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 € 3,494 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 € 6,389 thousand net of the related taxation.

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[32], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of €300 million. The coupon for the first 5 years has been fixed at 5.875%.
-

No Equity Instruments were issued during the first half 2021.

-

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.

[32] Unrated and unlisted

Part B - Consolidated Balance Sheet

OTHER INFORMATION

1. Commitments and financial guarantees given

(Amounts in € thousand)

	Nominal value of commitments and financial guarantees given			Total 06/30/2021	Total 12/31/2020
	First stage	Second stage	Third stage		
1. Commitments	**49,022**	**768**	**9**	**49,799**	**22,600**
a) Central Banks	-	-	-	-	-
b) Governments	-	-	-	-	-
c) Banks	-	-	-	-	-
d) Other financial companies	1,289	-	-	1,289	-
e) Non-financial companies	108	-	-	108	-
f) Households	47,625	768	9	48,402	22,600
2. Financial guarantees given	**24,340**	**-**	**-**	**24,340**	**20,817**
a) Central Banks	-	-	-	-	-
b) Governments	-	-	-	-	-
c) Banks	17,170	-	-	17,170	17,170
d) Other financial companies	-	-	-	-	-
e) Non-financial companies	-	-	-	-	-
f) Households	7,170	-	-	7,170	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, 2019). 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.

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2. Other commitments and other guarantees given

(Amounts in € thousand)

	Nominal amount Total 06/30/2021	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	**2,112,912**	**1,718,119**
of which: impaired credit exposures	92	284
a) Central Banks	-	-
b) Governments	-	-
c) Banks	7,558	2,138
d) Other financial companies	132,040	34,098
e) Non-financial companies	260	267
f) Households	1,973,054	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 06/30/2021	Amounts 12/31/2020
1. Financial assets at fair value through profit and loss	-	-
2. Financial assets at fair value through other comprehensive income	10,468	76,524
3. Financial assets at amortized cost	4,471,158	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 used to enter into repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of said transaction. The bonds are given as collateral for the entire duration of the transaction;
- government bonds given as collateral for bankers' drafts, as guarantee for transactions in foreign markets and/or as guarantee for transactions in derivatives. Securities are used as collateral until the Group decides to stop the transactions for which the collateral or guarantees are granted;
- government securities pledged as a result of the Bank's participation in the TLTRO III programme;
- 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 € 296,972 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.

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 as the borrower, borrowing the securities of its customers and using them in securities lending transactions guaranteed by cash amounts with retail and institutional customers interested in the temporary ownership of the securities.

Against securities lending transactions guaranteed by other securities 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 not recognised as assets in the accounts totalled € 65,979 thousand, for a fair value of € 148,719 thousand, broken down as follows:

(Amounts in € thousand)

	Type of securities - Nominal value June, 30 2021		
Securities received on loan from:	**Sold**	**Sold in repos**	**Other purposes**
Banks	-	-	-
Financial companies	-	-	-
Insurance companies	-	-	-
Non-financial companies	-	157	33
Other entities	592	61,819	3,378
Total nominal value	**592**	**61,976**	**3,411**

(Amounts in € thousand)

	Type of securities - Fair value June, 30 2021		
Securities received on loan from:	**Sold**	**Sold in repos**	**Other purposes**
Banks	-	-	-
Financial companies	-	68	1
Insurance companies	-	-	-
Non-financial companies	-	415	62
Other entities	249	134,998	12,926
Total *fair value*	**249**	**135,481**	**12,989**

9. Disclosure on joint control activities

No data to report

Part C - Consolidated Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

(Amounts in € thousand)

Items/Type	Debt securities	Loans	Other operations	Total 06/30/2021	Total 06/30/2020
1. Financial assets at fair value through profit and loss	**2**	**-**	**-**	**2**	**1**
1.1 Financial assets held for trading	-	-	-	-	-
1.2 Financial assets designated at fair value	-	-	-	-	-
1.3 Other financial assets mandatory at fair value	2	-	-	2	1
2. Financial assets at fair value through other comprehensive income	**499**	**-**	**X**	**499**	**794**
3. Financial assets at amortised cost	**99,198**	**35,370**	**X**	**134,568**	**150,003**
3.1 loans and receivables with banks	33,956	71	X	34,027	55,548
3.2 loans and receivables with customers	65,242	35,299	X	100,541	94,455
4. Hedging derivatives	**X**	**X**	**(16,194)**	**(16,194)**	**(8,880)**
5. Other assets	**X**	**X**	**260**	**260**	**-**
6. Financial liabilities	**X**	**X**	**X**	**6,322**	**2,324**
Total	**99,699**	**35,370**	**(15,934)**	**125,457**	**144,242**
of which: income interests impaired financial assets	-	118	-	118	92
of which: interest income on financial lease	-	-	-	-	-

The Item 6. "Financial liabilities" also includes the interest accrued on the TLTRO III transaction, for an amount of € 5,035 thousand.

Part C - Consolidated Income Statement

1.3 Interest expenses and similar charges: breakdown

(Amounts in € thousand)

Items/Type	Payables	Debt securities in issue	Other transactions	Total 06/30/2021	Total 06/30/2020
1. Financial liabilities at amortized cost	(940)	-	X	(940)	(5,382)
1.1 Deposits from central banks	-	X	X	-	-
1.2 Deposits from banks	(106)	X	X	(106)	(116)
1.3 Deposits from customers	(834)	X	X	(834)	(5,266)
1.4 Debt securities in issue	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities designated at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	(2,693)	(1,462)
Total	**(940)**	**-**	**-**	**(3,633)**	**(6,844)**
of which: interest expense on lease liabilities	(491)	-	-	(491)	(534)

Part C - Consolidated Income Statement

Section 2 – Fee and commission income and expense - Items 40 and 50

2.1 Fee and commission income: breakdown

(Amounts in € thousand)

Type of services/Amounts	Total 06/30/2021	Total 06/30/2020
a) guarantees given	19	10
b) credit derivatives	-	-
c) management, brokerage and consulting services:	379,804	325,791
1. securities trading	52,330	62,027
2. currency trading	-	-
3. segregated accounts	105,422	83,301
3.1. individual	-	-
3.2. collective	105,422	83,301
4. custody and administration of securities	221	177
5. custodian bank	-	-
6. placement of securities	10,510	8,609
7. reception and transmission of orders	24,571	20,246
8. advisory services	37,493	32,275
8.1. related to investments	37,493	32,275
8.2. related to financial structure	-	-
9. distribution of third-party services:	149,257	119,156
9.1. segregated accounts	100,312	81,391
9.1.1 individual	1,349	856
9.1.2 collective	98,963	80,535
9.2 insurance products	48,945	37,765
9.3 other products	-	-
d) collection and payment services	16,052	14,119
e) securitisation servicing	-	-
f) factoring	-	-
g) tax collection services	-	-
h) management of multilateral trading systems	-	-
i) management of current accounts	11,629	10,325
j) other services	7,711	7,492
k) securities lending transactions	5,188	3,430
Total	**420,403**	**361,167**

Lastly, it should be noted that item 9.1.2 "segregated accounts collective" also includes the maintenance commissions for UCIT units equal to € 95,703 thousand (€ 78,165 thousand at 30 June 2020).

2.2 Fee and commission expenses: breakdown

(Amounts in € thousand)

Services/Amounts	Total 06/30/2021	Total 06/30/2020
a) guarantees received	-	-
b) credit derivatives	-	-
c) management and brokerage services:	(191,030)	(138,154)
1.trading in financial instruments	(5,020)	(5,639)
2. currency trading	-	-
3. portfolios management:	(15,148)	(12,414)
3.1 own portfolio	-	-
3.2 third party portfolio	(15,148)	(12,414)
4. custody and administration securities	(2,275)	(1,977)
5. financial instruments placement	-	-
6. out of office offer of financial instruments, products and services	(168,587)	(118,124)
d) collection and payment services	(8,992)	(8,838)
e) other services	(3,352)	(2,792)
f) securities lending transactions	(804)	(813)
Total	**(204,178)**	**(150,597)**

Item "c) management and brokerage services: 6. out of office offer of financial instruments, products and services", includes costs incurred in relation to Equity Settled and Cash Settled plans assigned to personal financial advisors, that are respectively recorded against the item 150. "Reserves" of the net equity for an amount of € 474 thousand (€ 333 thousand as at June 30, 2020).

As explained in Part A - Accounting Policies of these notes, as of 30 June 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) are recognised under item 50. "Fee and commission expenses" (previously recognised in item 190. "Administrative expenses") in order to provide a better representation of both "Operating income" and "Operating expenses". These costs, as at 30 June 2021, are included in point "c) management and brokerage services: 6. out of office offer of financial instruments, products and services" of the table above.

Section 3 – Dividend income and similar revenue – Item 70

3.1 Dividend income and similar revenue: breakdown

(Amounts in € thousand)

Items/Income	Total 06/30/2021		Total 06/30/2020	
	Dividends	Similar revenues	Dividends	Similar revenues
A. Financial assets held for trading	84	-	23	-
B. Other financial assets mandatorily at fair value	30	-	30	-
C. Financial assets at fair value through other comprehensive income	-	-	-	-
D. Equity investments	-	-	-	-
Total	**114**	**-**	**53**	**-**

Part C - Consolidated Income Statement

Section 4 – Gains (losses) on financial assets and liabilities held for trading – Item 80

4.1 Gains (losses) on financial assets and liabilities held for trading: breakdown

As at June 30, 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	**204**	**92,342**	**(189)**	**(83,699)**	**8,658**
1.1 Debt securities	-	1,547	-	(1,433)	114
1.2 Equity instruments	204	90,042	(189)	(81,552)	8,505
1.3 UCITS units	-	753	-	(714)	39
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**2**	**283**	**(1)**	**(387)**	**(103)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	2	283	(1)	(387)	(103)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**13,268**
4. Derivatives	**10,106**	**78,443**	**(9,812)**	**(65,248)**	**16,222**
4.1 Financial derivatives:	10,106	78,443	(9,812)	(65,248)	16,222
- On debt securities and interest rates	88	417	(94)	(166)	245
- On equity securities and share indices	9,870	69,868	(9,648)	(58,850)	11,240
- On currency and gold	**X**	**X**	**X**	**X**	2,733
- Others	148	8,158	(70)	(6,232)	2,004
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	**X**	**X**	**X**	**X**	-
Total	**10,312**	**171,068**	**(10,002)**	**(149,334)**	**38,045**

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As at June 30, 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	**158**	**137,703**	**(72)**	**(127,964)**	**9,825**
1.1 Debt securities	-	4,437	-	(3,822)	615
1.2 Equity instruments	158	130,896	(72)	(121,873)	9,109
1.3 UCITS units	-	2,370	-	(2,269)	101
1.4 Loans	-	-	-	-	-
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**4**	**1,234**	**(78)**	**(1,583)**	**(423)**
2.1 Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Others	4	1,234	(78)	(1,583)	(423)
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**13,126**
4. Derivatives	**9,340**	**128,297**	**(10,430)**	**(103,270)**	**27,050**
4.1 Financial derivatives:	9,340	128,297	(10,430)	(103,270)	27,050
- On debt securities and interest rates	108	926	(98)	(904)	32
- On equity securities and share indices	9,141	111,191	(10,258)	(90,682)	19,392
- On currency and gold	**X**	**X**	**X**	**X**	3,113
- Others	91	16,180	(74)	(11,684)	4,513
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	**X**	**X**	**X**	**X**	-
Total	**9,502**	**267,234**	**(10,580)**	**(232,817)**	**49,578**

Section 5 – Fair value adjustments in hedge accounting – Item 90

5.1 Fair value adjustments in hedge accounting: breakdown

(Amounts in € thousand)

Income items/Amounts	Total 06/30/2021	Total 06/30/2020
A. Gains on:		
A.1 Fair value hedging instruments	160,157	6,740
A.2 Hedged asset items (in fair value hedge relationship)	317	120,633
A.3 Hedged liability items (in fair value hedge relationship)	4,820	10
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in currency	-	-
Total gains on hedging activities (A)	**165,294**	**127,383**
B. Losses on:		
B.1 Fair value hedging instruments	(5,115)	(121,589)
B.2 Financial assets items (in fair value hedge relationship)	(158,630)	(2,405)
B.3 Hedged liability items (in fair value hedge relationship)	-	(4,258)
B.4 Cash-flow hedging derivatives	-	-
B.5 Assets and liabilities denominated in currency	-	-
Total losses on hedging activities (B)	**(163,745)**	**(128,252)**
C. Fair value adjustments in hedge accounting (A-B)	**1,549**	**(869)**
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 06/30/2021			Total 06/30/2020		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
Financial assets						
1. Financial assets at amortized cost	23,630	(71)	23,559	7,079	(28)	7,051
1.1 Loans and receivables with banks	5,073	-	5,073	-	-	-
1.2 Loans and receivables with customers	18,557	(71)	18,486	7,079	(28)	7,051
2. Financial assets at fair value through other comprehensive income	-	-	-	1,770	-	1,770
2.1 Debt securities	-	-	-	1,770	-	1,770
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**23,630**	**(71)**	**23,559**	**8,849**	**(28)**	**8,821**
Financial liabilities valued at amortized cost	-	-	-	-	-	-
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities in issue	-	-	-	-	-	-
Total liabilities (B)	**-**	**-**	**-**	**-**	**-**	**-**

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Section 7 – Gains (losses) on financial assets and liabilities measured at fair value through profit and loss – Item 110

7.1 Gain (losses) on financial assets and liabilities measured at fair value through profit and loss: breakdown of financial assets and liabilities designated at fair value

No data to report.

7.2 Gain (losses) on financial assets and liabilities measured at fair value through profit and loss: breakdown of other financial assets mandatorily at fair value

As at June 30, 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	**386**	**90**	**(16)**	**(2)**	**458**
1.1 Debt securities	-	-	(2)	-	(2)
1.2 Equity securities	386	90	(14)	-	462
1.3 UCITS units	-	-	-	(2)	(2)
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**405**
Total	**386**	**90**	**(16)**	**(2)**	**863**

As at June 30, 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	**115**	**8**	**(1,249)**	**(2)**	**(1,227)**
1.1 Debt securities	-	8	(1)	-	7
1.2 Equity securities	38	-	(1,196)	(1)	(1,159)
1.3 UCITS units	77	-	(51)	(1)	25
1.4 Loans	-	-	-	-	-
2. Financial assets: exchange differences	**X**	**X**	**X**	**X**	**28**
Total	**115**	**8**	**(1,249)**	**(2)**	**(1,099)**

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Section 8 – Impairment losses/writebacks - Item 130

8.1 Impairment losses on financial assets at amortised cost: breakdown

(Amounts in € thousand)

Transactions/Income items	Impairment (1)			Write-backs (2)		Total	Total
	First and second stage	Third stage		First and second stage	Third stage		
		Write-off	Others			06/30/2021	06/30/2020
A. Loans and receivables with banks	**(24)**	**-**	**-**	**122**	**-**	**98**	**(371)**
- Loans	(13)	-	-	60	-	47	(172)
- Debt securities	(11)	-	-	62	-	51	(199)
of which: financial assets purchased or originated credit impaired	-	-	-	-	-	-	-
B. Credit to clients	**(4,163)**	**(50)**	**(1,950)**	**4,505**	**1,141**	**(517)**	**(7,080)**
- Loans	(3,400)	(50)	(1,950)	2,559	1,141	(1,700)	(3,473)
- Debt securities	(763)	-	-	1,946	-	1,183	(3,607)
of which: financial assets purchased or originated credit impaired	-	-	-	-	-	-	-
Total	**(4,187)**	**(50)**	**(1,950)**	**4,627**	**1,141**	**(419)**	**(7,451)**

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	Total
	First and second stage	Third stage			
		Write-off	Others	06/30/2021	06/30/2020
1. Loans and advances subject to EBA-compliant moratoria (legislative and non-legislative)	(49)	-	-	**(49)**	**-**
2. Other loans and advances subject to COVID-19-related forbearance measures	(18)	(12)	-	**(30)**	**-**
3. Newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis	-	-	-	**-**	**-**
Totale	**(67)**	**(12)**	**-**	**(79)**	**-**

It should be noted that the above table was introduced as from 31 December 2020, therefore comparative data as at 30 June 2020 are not available. It should be noted, in this regard, that with the communication of 15 December 2020 "Integrations to the provisions of Circular no. 262 "Bank financial statements: formats and rules for compilation" concerning the impacts of the COVID-19 pandemic and measures to support the economy and amendments to IAS/IFRS", the Bank of Italy supplemented the provisions governing banks' financial statements (Circular no. 262 of 22 December 2005) to provide the market with information on the effects that COVID-19 and the measures to support the economy have had on the strategies, objectives and policies of risk management, as well as on the economic and financial situation of intermediaries.

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8.2 Impairment losses on financial assets at fair value through comprehensive income: breakdown

(Amounts in € thousand)

Transactions/Income items	Adjustments (1)			Write-backs (2)		Total	Total
	First and second stage	Third stage		First and second stage	Third stage	06/30/2021	06/30/2020
		Write-off	Others				
A. Debt Securities	-	-	-	5	-	5	(6)
B. Loans and receivables	-	-	-	-	-	-	-
- With customers	-	-	-	-	-	-	-
- With banks	-	-	-	-	-	-	-
of which:financial assetes purchased or originated credit impaired	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**5**	**-**	**5**	**(6)**

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

Part C - Consolidated Income Statement

Section 9 – Profit/loss from contract changes without cancellation – Item 140

9.1 Profit (loss) from contract changes: breakdown

(Amounts in € thousand)

Items/Income items	Total 06/30/2021			Total 06/30/2020		
	Gain	Losses	Net profit (loss)	Gain	Losses	Net profit (loss)
1. Financial assets valued at amortized cost	2	(2)	-	22	(1)	21
1.1 Receivables from banks	-	-	-	-	-	-
1.2 Receivables from customers	2	(2)	-	22	(1)	21
2. Financial assets valued at fair value with an impact on total profitability	-	-	-	-	-	-
Total	**2**	**(2)**	**-**	**22**	**(1)**	**21**

Section 10 – Net premiums – Item 160

No data to report.

Section 11 – Balance of other net operating income and charges from insurance management – Item 170

No data to report.

Part C - Consolidated Income Statement

Section 12 – Administrative expenses – Item 190

12.1 Staff expenses: breakdown

(Amounts in € thousand)

Type of expenses/Sectors	Total 06/30/2021	Total 06/30/2020
1) Employees	(51,808)	(47,984)
a) wages and salaries	(35,533)	(32,380)
b) social security contributions	(8,864)	(8,483)
c) pension costs	(374)	(434)
d) severance pay	-	-
e) allocation to employee severance pay provision	(85)	(33)
f) provision for retirements and similar provisions:	-	-
- defined contribution	-	-
- defined benefit	-	-
g) payments to external pension funds:	(2,525)	(2,181)
- defined contribution	(2,525)	(2,181)
- defined benefit	-	-
h) costs related to share-based payments	(2,151)	(1,881)
i) other employee benefits	(2,279)	(2,593)
j) recovery of expenses for employees seconded	3	1
2) Other staffs	(4)	(91)
3) Directors and statutory auditors	(1,072)	(818)
4) Early retirement costs	-	-
Total	**(52,884)**	**(48,893)**

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 Group, that are recorded against the item 150. "Reserves" of the net equity.

12.4 Other employee benefits

(Amounts in € thousand)

Type of expense/Amounts	Total 06/30/2021	Total 06/30/2020
Leaving incentives	(4)	(18)
Medical plan	(785)	(869)
Luncheon vouchers	(71)	(370)
Other	(1,419)	(1,336)
Total	**(2,279)**	**(2,593)**

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12.5 Other administrative expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 06/30/2021	Total 06/30/2020
1) INDIRECT TAXES AND DUTIES	**(70,307)**	**(55,330)**
2) MISCELLANEOUS COSTS AND EXPENSES		
A) Advertising expenses - Marketing and communication	**(11,370)**	**(10,189)**
Mass media communications	(10,002)	(9,030)
Marketing and promotions	(1,187)	(893)
Sponsorships	(174)	(219)
Conventions and internal communications	(7)	(47)
B) Expenses related to credit risk	**(764)**	**(644)**
Credit recovery expenses	(174)	(107)
Commercial information and company searches	(590)	(537)
C) Expenses related to personnel	**(1,514)**	**(11,044)**
Personnel training	(279)	(253)
Car rental and other staff expenses	(55)	(11)
Personal financial advisor expenses	(1,105)	(10,560)
Travel expenses	(47)	(192)
Premises rentals for personnel	(28)	(28)
D) ICT expenses	**(23,797)**	**(20,977)**
Lease of ICT equipment and software	(1,568)	(1,473)
Software expenses: lease and maintenance	(5,946)	(5,448)
ICT communication systems	(2,904)	(3,713)
ICT services: external personnel/outsourced services	(6,343)	(3,745)
Financial information providers	(7,036)	(6,598)
E) Consultancies and professional services	**(2,275)**	**(1,907)**
Consultancy on ordinary activities	(1,865)	(1,616)
Consultancy for one-off regulatory compliance projects	-	-
Consultancy for strategy, business development and organisational optimisation	(313)	(154)
Legal expenses	(43)	(70)
Legal disputes	(54)	(67)
F) Real estate expenses	**(2,587)**	**(2,382)**
Real estate services	-	(84)
Repair and maintenance of furniture, machinery, and equipment	(160)	(79)
Maintenance of premises	(519)	(524)
Premises rentals	(443)	(483)
Cleaning of premises	(252)	(313)
Utilities	(1,213)	(899)
G) Other functioning costs	**(14,291)**	**(19,831)**
Surveillance and security services	(141)	(99)
Postage and transport of documents	(1,761)	(1,534)
Administrative and logistic services	(8,520)	(7,718)
Insurance	(1,937)	(1,815)
Printing and stationery	(225)	(258)
Association dues and fees	(985)	(7,322)
Other administrative expenses	(722)	(1,085)
H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)	(7,705)	(903)
Total	**(134,610)**	**(123,207)**

As explained in Part A - Accounting Policies of these notes, as of 30 June 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) are recognised under item 50. “Fee and commission expenses” (previously recognised in item 190. "Administrative expenses") in order to provide a better representation of both "Operating income" and "Operating expenses". These costs, as at 30 June 2020, are included in point "C) Expenses related to personnel - Personal financial advisor expenses” for an amount of € 8,871 thousand and in point “G) Other functioning costs - Association dues and fees” for an amount of € 6,329 thousand.

In the item "Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)" (point H) of the table above (point H) of the table above has been recognised the ordinary annual contribution for the year 2021 pursuant to Directive 2014/59/EU (Single Resolution Fund) in the amount of € 5,812 thousand (€ 687 thousand as at 30 June 2020) and the additional contribution to the National Resolution Fund (FNR) pursuant to Article 1, paragraph 848, of Law no. 208/2015 called by the Bank of Italy to the Italian banking system in the amount of € 1,893 thousand (€ 217 thousand in the first half of 2020).

Part C - Consolidated Income Statement

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	06/30/2021	06/30/2020
1. Commitments	(70)	-	43	-	(27)	(39)
2. Financial guarantees given	(9)	-	1	-	(8)	(7)
Total	**(79)**	**-**	**44**	**-**	**(35)**	**(46)**

13.2 Net provisions for risks and charges relating to other commitments and other guarantees given: breakdown

No data to report.

13.3 Net provisions to other provisions for risks and charges: breakdown

(Amounts in € thousand)

Items/Income items	Total	06/30/2021		Total	06/30/2020	
	Provisions	Reallocations	Total	Provisions	Reallocations	Total
Legal and fiscal disputes	(2,618)	1,370	(1,248)	(4,182)	1,555	(2,627)
Supplementary customer indemnity provision	(3,231)	-	(3,231)	(2,929)	-	(2,929)
Other provisions for risks and charges	(1,868)	29	(1,839)	(1,822)	645	(1,177)
Total	**(7,717)**	**1,399**	**(6,318)**	**(8,933)**	**2,200**	**(6,333)**

Part C - Consolidated Income Statement

Section 14 – Net impairment/write-backs on property, plant and equipment – Item 210

14.1 Impairment on property, plant and equipment: breakdown

(Amounts in € thousand)

Assets/Income items	Depreciation (a)	Write-downs (b)	Write-backs (c)	Net profit (loss) 06/30/2021 (a + b - c)	Net profit (loss) 06/30/2020 (a + b - c)
A. Property, plant and equipment					
1 Owned	(9,338)	(2)	-	(9,340)	(9,374)
- Used in the business	(3,912)	-	-	(3,912)	(3,684)
- Held for investment	(5,426)	(2)	-	(5,428)	(5,690)
2 Held under finance lease	(54)	-	-	(54)	(54)
- Used in the business	(54)	-	-	(54)	(54)
- Held for investment	-	-	-	-	-
3 Inventories	X	-	-	-	-
B. Assets held for sale	X	-	-	-	-
Total	**(9,392)**	**(2)**	**-**	**(9,394)**	**(9,428)**

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the notes to the consolidated accounts as at December 31, 2020.

Part C - Consolidated Income Statement

Section 15 – Net impairment/write-backs on intangible assets – Item 220

15.1 Impairment on intangible assets: breakdown

(Amounts in € thousand)

Assets/Income items	Depriciation (a)	Write-downs (b)	Write-backs (c)	Net profit (loss) 06/30/2021 (a + b - c)	Net profit (loss) 06/30/2020 (a + b - c)
A. Intangible assets					
A.1 Owned	(3,266)	-	-	(3,266)	(2,840)
- Generated internally by the company	-	-	-	-	-
- Other	(3,266)	-	-	(3,266)	(2,840)
A.2 Held under finance lease	-	-	-	-	-
B. Assets held for sale	X	-	-	-	-
Total	**-**	**-**	**-**	**(3,266)**	**(2,840)**

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the notes to the consolidated accounts as at December 31, 2020.

For the disclosures required by IAS 36 paragraph 134, d), e), f) and 135, c), d), e), see Part B paragraph 13.3 Other information.

Part C - Consolidated Income Statement

Section 16 – Other net operating income – Item 230

16.1 Other operating expenses: breakdown

(Amounts in € thousand)

Type of expense/Amounts	Total 06/30/2021	Total 06/30/2020
Refunds and allowances	(158)	(136)
Penalties, fines and unfavourable rulings	(145)	(46)
Improvements and incremental expenses incurred on leasehold properties	(1,125)	(1,034)
Exceptional write-downs of assets	(8)	(10)
Other operating expenses	(76)	(359)
Total	**(1,512)**	**(1,585)**

16.2 Other operating income: breakdown

(Amounts in € thousand)

Type of expense/Amounts	- 06/30/2021	- 06/30/2020
Recovery of expenses:	67,470	52,263
- recovery of ancillary expenses - other	23	50
- recovery of taxes	67,447	52,213
Rental income from properties	365	421
Other income from current year	1,301	1,522
Total	**69,136**	**54,206**

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 as, as contractually provided.

Section 17 – Profit (loss) of associates – Item 250

No data to report.

Section 18 – Gains (losses) on tangible and intangible assets measured at fair value – Item 260

No data to report.

Section 19 – Impairment of goodwill – Item 270

No data to report.

Part C - Consolidated Income Statement

Section 20 – Gains (losses) on disposal of investments – Item 280

20.1 Gains (losses) on disposal of investments

(Amounts in € thousand)

Items income/Sectors	Total 06/30/2021	Total 06/30/2020
A. Properties	-	-
- Gains on disposal	-	-
- Losses on disposal	-	-
B. Other assets	-	(6)
- Gains on disposal	-	1
- Losses on disposal	-	(7)
Net profit (loss)	**-**	**(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 06/30/2021	Total 06/30/2020
1. Current tax (-)	(79,951)	(58,431)
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 (+/-)	9,993	(19,991)
5. Changes in deferred tax liabilities (+/-)	23,746	114
6. Tax expense for the year (-) (-1+/-2+3+ 3 bis +/-4+/-5)	(46,212)	(78,308)

Changes in deferred tax assets and liabilities included the effects arising from the realignment of goodwill pursuant to Article 110 of Legislative Decree 104 of 14 August 2020. In particular, the effect of the realignment resulted in the cancellation of deferred taxes of €24,482 thousand and the recognition of deferred tax assets of €10,216 thousand. In addition, current taxes included the payment of 3% substitute tax for the realignment of goodwill for €2,671 thousand.

Section 22 – Profit (Loss) after tax from discontinued operations – Item 320

No data to report.

Section 23 – Minority interests – Item 340

No data to report.

Section 24 – Other information

No data to report.

Part C - Consolidated Income Statement

Section 25 - Earnings per share

25.1 Average number of diluted ordinary shares

Basic earnings per share are calculated by dividing the net profit by the average number of ordinary shares outstanding during the first half 2021.

	06/30/2021	06/30/2020
Net profit for the period (€ thousands)	216,670	180,174
Average number of outstanding shares	609,606,968	608,597,403
Average number of outstanding shares (including potential ordinary shares with dilution effect)	610,933,163	609,707,631
Basic earnings per share	0.36	0.30
Diluted Earnings Per Share	0.36	0.30

25.2 Other information

No data to report.

Part E - Information on Risks and relating hedging policies

Introduction

In order to ensure efficient and effective management of risks, the risk management process is structured consistently with the supervisory provisions for Banks pertaining to the internal control framework.

Risk overisight and control is performed by the Chief Risk Officer (CRO) Department, which as the risk management function is independent from risk taking functions, 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. 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 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, 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; the committee is involved in sustainability issue relevant to the FinecoBank business model and interaction dynamics with stakeholders.

Part E - Information on Risks and relating hedging policies

The Compliance function is in charge 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 CRO Department's specialized teams, and is fully independent from them.

Starting from January 1st, 2021, in application of the organizational change approved by the Board of Directors on October 13th, 2020, the new Chief Lending Officer (CLO) Department was established. The new department, directly reporting to the Chief Executive Officer and General Manager, is in charge of all activities concerning the credit process, formerly assigned to the CRO Department.

The CRO Department, as the risk management function, supervise the proper functioning of the Group Risk Framework, defining the appropriate identification and measurement methodologies of current and forward looking risks, according to the legislation in force, the Bank's managerial choices envisaged in the Group Risk Appetite Framework (RAF) and the general principles and policies defined by the CRO. Supervision in also guaranteed through monitoring activities and compliance controls with the established internal limits.

The CRO, assisted by the CLO and the CFO, each one for their area of competence, 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.

As far as second line controls are concerned, the CRO Department is responsible for managing and controlling credit, market and operational/reputational risks, including ICT (Information and Comunication Technology) Risk, interest rate risk and liquidity risk. The management of such risks is carried out with the collaboration with the CFO, the CLO and the CIO, each one for their area of competence. As far as reporting to Corporate Bodies is concerned (Chief Executive Officer and General Manager, Board of Directors and Risks and Related Parties Committee), the CRO provides a periodic disclosure on the activities and controls carried out, and reports any weakness detected, proposing appropriate corrective actions aimed at managing and mitigating the risks.

In particular, the CRO Department of the Parent Company:

- 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 reputational risks, coordinating with the compliance function and any other function which may be involved;
- assists corporate bodies in assessing strategic risk by monitoring significant variables;
- develops and applies indicators highlighting irregularities and 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;
- carry out second line controls on credit exposures, both at granular and portfolio level;
- continuously monitors the actual risk assumed by the Group and its consistency with the 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. The 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.

Starting from 2021 the RAF includes some new ESG items aimed at complying with the recent ECB guidelines on climate and environmental risks. In particular, the new risk/performance indicators introduced are meant to monitor ESG investment objectives in the Banking Book and the concentration of real estate guarantees in high seismic/hydrogeological areas (this one in order to oversee climate and environmental risk).

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 function 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;

Part E - Information on Risks and relating hedging policies

- definition and approval of the Risk Appetite by the Group Board of Directors;
- quarterly monitoring and reporting of Risk Appetite indicators.

Impacts of the crisis unfolded by COVID-19 pandemic on RAF indicators

The monitoring of Risk Appetite Framework indicators has not recorded any breach directly related to the COVID-19 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, referring to data 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 in many sectors and the erosion of medium / long-term growth forecasts. Both the solidity and profitability of the Group were not impacted by stress test exercises. Profitability, in fact, despite the decline recorded in the first year of stress, remains positive in all the scenarios developed, while capital indicators lay at very high levels and above the regulatory requirements over the time horizon considered.

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 further requests made by the Bank of Italy on 14 April 2021 to the Banking System, the report was integrated with templates showing the main results of the current and forward looking 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;

Part E - Information on Risks and relating hedging policies

- 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

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		2,115	1,095	1,317	24,845	30,408,049	30,437,421
2. Financial assets at fair value through other comprehensive income		-	-	-	-	143,438	143,438
3. Financial assets designated at fair value		-	-	-	-	-	-
4. Other financial assets mandatorily at fair value		-	-	-	-	69	69
5. Financial instruments classified as held for sale		-	-	-	-	-	-
Total	**06/30/2021**	**2,115**	**1,095**	**1,317**	**24,845**	**30,551,556**	**30,580,928**
Total	**12/31/2020**	**2,025**	**1,065**	**442**	**16,089**	**29,217,645**	**29,237,266**

As at June 30, 2021 there were 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	24,310	(19,783)	4,527	-	30,452,110	(19,216)	30,432,894	30,437,421
2. Financial assets at fair value through other comprehensive income	-	-	-	-	143,450	(12)	143,438	143,438
3. Financial assets designated at fair value	-	-	-	-	X	X	-	-
4. Other financial assets mandatorily at fair value	-	-	-	-	X	X	69	69
5. Financial instruments classified as held for sale	-	-	-	-	-	-	-	-
Total 06/30/2021	**24,310**	**(19,783)**	**4,527**	**-**	**30,595,560**	**(19,228)**	**30,576,401**	**30,580,928**
Total 12/31/2020	**25,489**	**(21,957)**	**3,532**	**-**	**29,253,786**	**(20,102)**	**29,233,734**	**29,237,266**

(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	-	-	6,689
2. Hedging derivatives	-	-	65,252
Total 06/30/2021	**-**	**-**	**71,941**
Total 12/31/2020	**-**	**3**	**26,055**

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.

Part E - Information on Risks and relating hedging policies

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	513		-	513	513	-
	AC	32,393	AC	18,476	13,917	13,917	-
	HFT	-		-	-	-	-
Total		**32,906**	**-**	**18,476**		**14,430**	**-**

Key
MFV = Financial assets mandatorily at fair value AC = Financial assets at amortised cost HFT = 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 the first half of 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

In the first half of 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 50%, whereas relevant overdraft facilities requires the funding of financial collateral, using conservative margins.

In response to COVID-19 pandemic and the adoption of supporting measures by EU member states, the main international and European regulators and standard setter (IASB, EBA, ECB, European Commission, etc...) provided guidance on the prudential treatment of credit exposure. According to such guidance, the application of supporting measures in the form of legislative and non-legislative moratoria, complying with a set of requirements established by EBA, did not automatically triggered the forbearance prudential classification until March 2021, as they had preventive nature and generic scope (they were not specifically designed for each client). The supporting measures granted after March 2021 have been evaluated and classified accordingly to the current prudential framework.

In the first half of 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 June 30, 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.

Part E - Information on Risks and relating hedging policies

2. Credit Risk Management Policy

2.1 Organisational aspects

In order to ensure an adequate monitoring of credit risk, the FinecoBank Group has implemented an effective internal governance system, organized on distinct and articulated levels of responsibility.

At the first level, the credit process relating to commercial loans 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 assessment of the creditworthiness of retail clients and counterparties with which the Group carries out credit business, and the monitoring of the performance of individual credit exposures. The latter is performed as to promptly detect any irregularities and fulfil the necessary prudential classifications.

In addition to the granular monitoring, the CLO Department also estimate the customer default rate by product type, 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 losses under IFRS 9.

At the second line of defence, the direction and control activities concerning 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, through second line controls, customer’s credit exposure, mainly focusing on the overall portfolio quality, promptly detecting any irregularity;
- verify, through second line controls, the proper execution of the performance monitoring on individual exposures, assessing the consistency of prudential classifications and the adequacy of provisions;
- analyse the risk level of individual products, periodically assessing the consistency of the default rates by product type estimated by the CLO Department;
- defining a reporting model for the Group by specifying the rules for recording stocks and flows;
- estimate credit parameters (PD and LGD) useful for defining product pricing, as part of the launch of a new credit product;
- develop and maintain the methodologies for calculating expected credit losses in accordance with the IFRS9 accounting standard, and carry out data quality checks on provisions;
- develop and maintain models for calculating the Credit Risk Internal Capital and apply the related stress scenarios;
- systematically verify compliance with operating limits relating to marginalization and formulate scenario analyses (stress tests) for assessing the sustainability of operations from an economic and capital point of view;
- supporting the CFO Department in budgeting and forecasting activities related to credit provisioning.

2.1.1 Credit Risk generating factors

In carrying out its credit business, the Group is exposed to the risk that loans may not be repaid at maturity, due to the deterioration of the debtor's financial condition, thus resulting in a partial or full write-down. This risk is always inherent in traditional lending operations regardless of the type of credit facility. The main reasons for default lie in the borrower's lack of autonomous ability to ensure the repayment of the debt.

The main causes of default are attributable to the loss of the borrower's autonomous capacity to ensure the repayment of the debt, as well as the onset of macro-economic and political circumstances affecting the financial conditions of the debtor.

In addition to the risk associated with granting and originating credit, the Group is also exposed to counterparty risk. Counterparty risk is defined as the risk that a counterparty to a transaction eventually fails to settle the transaction itself.

Other banking activities, in addition to traditional loans and deposits, may expose the Group to additional credit risks. Counterparty risk may, for example, arise from:

- entering into derivative contracts;
- purchasing and selling securities, futures, or currencies;
- holding third-party securities.

Counterparties to these transactions or the issuers of securities held by the Group companies may fail to meet their obligations due to insolvency, political and economic events, lack of liquidity, operational weakness or other reasons. Failure to comply with a large number of transactions or one or more transactions of a significant amount would have a materially negative impact on the Group's activity, financial condition and operating results.

In addition, "Non-Traditional Credit Risk" is generated by leverage/short transactions conducted through securities lending. Such transactions, despite automatic stop losses being set within the margins, may generate credit risk if the security lacks liquidity (for example, in the case of market turmoil) 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 on commercial loans at origination is carried out by the CLO Department, and 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 line controls on all the phases that characterize the credit process relating to commercial loans. Controls, which are mainly based on the development of event-based indicators, focus on verifying compliance with internal regulations and the delegated powers conferred by the Board of Directors to the decision-making structures, as well as on the identification of irregularities at granular and portfolio level, also in relation to the collateral portfolio. In addition to the controls described above, periodic monitoring is also carried out, focusing on assessing the quality and performance of the loan portfolio.

The credit risk assessment of counterparties with which the Group carries out credit business is conducted by the CLO Department during the internal limit (plafond) allocation process assigned to the counterparty's Economic Group, i.e. considering the Group's exposure towards all the parties legally and economically linked to the counterparty. Plafonds are risk ceilings and stand for the highest credit risk limits the Group is willing to accept towards a given 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 or Corporate counterparty ("Financial Institutions, Banks and Sovereigns") with which the Group holds a credit exposure, always in compliance with the large exposure regulatory limits, where applicable.

In March 2021, the Group has amended the Global Policy "Credit Business with Financial Institutions, Banks, Sovereigns and Corporate counterparties", which establishes the principles and rules to efficiently and comprehensively evaluate, control and limit credit and counterparty risk related to credit business with those counterparties, including issuers of bonds held by the Group in the banking book. According to the policy, the CLO Department, in addition to assessing the credit worthiness of counterparties and approving the plafond application raised by business functions according to the delegated powers in force, carries out an operational monitoring. Such monitoring activity is aimed at ensuring that all Group functions comply with the assigned plafond at all times, as well as regulatory limits on large exposures and related parties, and that the Group's counterparties holds a sufficiently high credit standing.

The CRO Department, on the other hand, carries out systematic monitoring at centralized and single counterparty level with significant exposure, focusing on the analysis of a series of Early Warning Indicators, and carries out second-line controls on the regulatory limits on Large Exposures and Related Parties.

Basically, the second level monitoring process, carried out by the CRO Department, aims to analyse credit quality and the dynamics of risk exposures by calculating synthetic risk indicators and representing their evolution over time in order to prepare action plans necessary to mitigate or avoid risk factors. In particular, the CRO Department prepares a quarterly report on risk exposures, addressed to the Board of Directors; in this context, the performance of the loan portfolio and the results of second level controls carried out during the reference period are highlighted. With particular reference to the portfolio of loans to ordinary customers, the analysis of flows between classifications, the stock of impaired loans and positions with payment delays and the related expected losses are reported. The results of the second level controls carried out during the reporting period and controls on the concentration of financial collateral acquired by the Group as collateral for current account credit facilities are also shown. With reference to exposures to financial counterparties, banks and sovereign states, the results of monitoring issuer risk, counterparty risk and country risk are shown.

Part E - Information on Risks and relating hedging policies

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

Because of the non-extension by the EBA of its guidelines on legislative and non-legislative moratoria, starting from April 1st 2021, the Group classify the newly granted payment moratoria according to the current prudential framework in force, and carefully monitors all exposures subject to payment moratoria 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 credit 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, in the absence of internal rating models 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 for the expected credit losses calculation is the Staging Allocation model, whose purpose is to transfer exposures between Stage 1 and Stage 2 (as Stage 3 is equivalent to that of impaired exposures). According to the model, Stage 1 mainly includes newly originated exposures, and exposures not having suffered a significant increase in credit risk compared to the initial recognition.

The Stage Allocation assessment model is based on a combination of relative and absolute elements: The main elements are:

- the comparison between the rating of the counterparty at the reporting date, and the one recorded at the origination/purchase date. The method provide that positions be classified in stage 2 whenever a predetermined threshold is breached. Such threshold is set in terms of notch from the rating recorded at first recognition;
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);
- other internal findings (forborne classification).

As far as institutional counterparties carrying out credit business with the Group are concerned, it should be noted that starting from January 2021 the Group has replaced the approach based on the comparison between the PD resulting from UniCredit internal models with the method of comparison between the ratings described above. Such method, which exploits Moody's external rating, is also applicable to securities purchased by the Group as investments in replacement of the previous approach based on the low risk exemption principle. The principle thereof, which is established by the accounting principle itself, provides for a staging allocation exemption for the securities having a low credit risk at the reporting date (investment grade).

Part E - Information on Risks and relating hedging policies

As a consequence, all securities non-classifiable as investment grade at the reporting date had to be classified in stage 2, regardless of the risk of the instrument at the origination/purchase date.

As far as retail counterparties are concerned, in the absence of internal rating models, the Group use the regulatory backstop and any further internal evidence. In this context all the exposure exceeding 30 days past due, or those for which are available further information suggesting a decrease in the counterparty's credit rating, 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 which best approximate 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.

Lifetime PD, the through-the-cycle PD curves were obtained by adapting the cumulative default rates to reflect point-in-time and forward-looking provisions of portfolio default rates.

Recovery rates incorporated in the through-the-cycle LGD have been adapted in order to remove the prudential margin and to reflect the latest trends in recovery rates, as well as expectations on future trends discounted to the actual interest rate or its best approximation.

Stage 3 positions include the corresponding impaired exposures which, in accordance with the Bank of Italy rules defined in Circular 272 of 30 July 2008 and following updates, correspond to the aggregate Non-Performing Exposures referred to in ITS EBA (EBA/ITS /2013/03/rev1 24/7/2014).

In particular, reference is made to the EBA definition of Non-Performing exposures and to the definition of impaired assets established by the Bank of Italy, as reported in the section Part A - Accounting Policies – Impairment of the notes to the consolidated accounts of the financial statement as at December 31, 2020.

Part E - Information on Risks and relating hedging policies

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 the current crisis context, the update of scenarios underlying Forward-looking components is a complex exercise. The magnitude of macroeconomic impacts attributable to the brake-off of economic and social activities during the spread of Covid-19 is still largely under debate, also in consideration of supporting measures to families and corporations adopted by several European countries, which will contribute to mitigate the effects of the crisis.

In response to the uncertainty generated by COVID19 pandemic and the adoption of public supporting measures, the main European and international Regulators (IASB, EBA, ESMA, European Commission …) have provided institutions with consistent instructions on the prudential and accounting treatment of credit exposures. On the one hand, in accordance with the spirit of the rule, Regulators have highlighted the need to take into account the deterioration of the macroeconomic environment triggered by the crisis; on the other hand, considering the uncertainty of the situation, they suggest making full use of flexibility embedded in IFRS9 principle.

Flexibility as meant by Regulators, allows institution to take some margins and avoid the mechanical application of the existing expected credit losses approaches to determine the amount of provisions, achieving the right balance right balance between avoiding excessive pro-cyclicality and ensuring that the risks they are facing (or will face) are adequately reflected in their internal risk measurement and management processes, financial statements and regulatory reporting.

Assessment of the Significant Increase in Credit Risk (SICR)

Consistently with the clarification provided by regulators, until march 31, 2021, all 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 non-extension by the EBA of its guidelines on legislative and non-legislative moratoria, all new moratoria granted starting from April 1st 2021, have been assessed and classified on a case-by-case scenario, according to the usual prudential and accounting framework. To that end turns out 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 June 30, 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, consistent with ECB macroeconomic forecasts, 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 more likely to come true, whereas the positive and adverse scenario are weighted 30%, and they stand for alternative outcomes, respectively better and worse.

The baseline scenario used for the ECL calculation as of June 30, 2021, consider a recovery of economic activities throughout the euro area, with an estimated growth of EU Gross Domestic Product (GDP) in 2021 equal to 3.88%.

In Italy, a country where the Group holds almost all exposures to retail customers, 2021 forecasts regarding the growth in Gross Domestic Product are estimated at 4.30%. Despite the improvement of the macroeconomic outlook, the estimated debt / GDP ratio for 2021 is equal to 154.43%, raising concern about the long-term sustainability of public finances. The unemployment rate is also estimated to rise at 10.35% in 2021, reaching a peak of 11.24% by the end of 2022, and then gradually returning to pre-crisis values.

Part E - Information on Risks and relating hedging policies

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 positive scenario used to calculate the ECL as of June 30, 2021, assumes an easing of COVID-19 crisis thanks to the implementation of security protocols and a higher share of vaccinated population. The recovery of economic activity, faster than expected, result in a GDP growth estimated forecast of 6.35% in 2021, whereas in 2022 the growth is expected to reduce its pace at 4.21%. The expected Debt/GDP ratio is equal to 150,34%, and the Italian unemployment rate is estimated to rise at 10.21% in 2021, reaching a peak of 10.91% by the end of 2022, and then gradually returning to pre-crisis values.

The adverse scenario used to calculate the ECL as of June 30, 2021, on the other hand, assumes an aggravation of the COVID-19 crisis with further travel restrictions and shutdown of commercial activities, and a spending cut from population. The forecasts in this scenario translate into little growth levels (0.91%) in 2021 with and expected Debt/GDP ratio equal to 161.30% and an Italian unemployment rate estimated to rise at 11.13%, until reaching a maximum peak of 14.7% by the end of 2022.

As of June 30, 2021, following the general improvement of the macroeconomic parameters used in the scenarios, assuming to apply only the positive scenario we would record recoveries for around € 1 million, whereas assuming to apply only the adverse scenario, the estimated provisions on customer loans would be equal to € 3.67 million. Considering all the scenarios mentioned above, applying the described weightings, the Group's estimated provisions as of June 30, 2021, are equal to € 0.62 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

As credit risk mitigation for different credit facilities, the Group accepts several types of collateral. For Mortgage loans, the Group accept as collateral mainly mortgages on residential real estate, whereas on overdraft facilities the Group accepts as pledge several types of securities, including shares, bonds, investment funds, insurance contracts and government bonds.

Despite the mitigation of a funded credit protection, the Group carries out an overall credit risk assessment, primarily focused on the customer's income capacity regardless of the additional guarantee provided. The valuation of the funded collateral is based on its actual value, i.e. the market value for the financial instruments listed in a regulated market. Such value is subject to haircut percentages, differentiated on the basis on the financial instruments received as collateral and the concentration of the client's collateral portfolio.

For real estate collaterals, the principles and rules are described in the policy "Regulation on the origination of commercial loans". Real Estate valuation is performed by external technical experts included in the Register of Engineers, Architects and Surveyors or industrial experts who are not therefore susceptible to conflict of interest.

For financial collateral, the principles and the rules are set in the Policy "Collateral Management". The evaluation of securities is performed taking into account several parameters, including the issuer rating, the liquidity class, the capitalization and the inclusion in a financial index. Such parameters, depending on the type of security, may affect eligibility as pladge of the security itself or the applicable haircut for determining the amount of the granted overdraft.

Both for real estate collateral and financial collateral, valuations are subject to periodic reviews.

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 purchaseof 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 of the consolidated financial statements as of December 31, 2020.

In the first half of 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

A.1 Impaired and unimpaired credit exposures: amounts, impairment, changes, distribution by business activity

A.1.1 Regulatory consolidation - Breakdown of financial assets by past due bands (carrying value)

(Amounts in € thousand)

Portfolios/stages	First stage			Second stage			Third stage		
	From 1 to 30 days	Between 30 days and 90 days	Over 90 days	From 1 to 30 days	Between 30 days and 90 days	Over 90 days	From 1 to 30 days	Between 30 days and 90 days	Over 90 days
1.Financial assets at amortised cost	21,630	953	189	41	1,431	601	86	7	3,796
2. Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
3. Financial instruments classified held for sale	-	-	-	-	-	-	-	-	-
Total 06/30/2021	**21,630**	**953**	**189**	**41**	**1,431**	**601**	**86**	**7**	**3,796**
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.1.4 Regulatory consolidation - On-balance sheet and off-balance-sheet credit exposures to banks: gross and net values

(Amounts in € thousand)

Type of exposure/amounts	Gross exposures		Total impairment	Net Exposure	Total partial write-off
	Impaired	Unimpaired			
A. On-balance sheet credit exposures					
a) Bad exposure	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
b) Unlikely to pay	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
c) Past-due impaired loans	-	X	-	-	-
- of which: forborne exposures	-	X	-	-	-
d) Past due non-impaired exposures	X	-	-	-	-
- of which: forborne exposures	X	-	-	-	-
e) Other unimpaired exposures	X	7,408,561	(154)	7,408,407	-
- of which: forborne exposures	X	-	-	-	-
Total (A)	**-**	**7,408,561**	**(154)**	**7,408,407**	**-**
B. Off-balance sheet exposures					
a) Impaired	-	X	-	-	-
b) Unimpaired	X	505,152	-	505,152	-
Total (B)	**-**	**505,152**	**-**	**505,152**	**-**
Total (A+B)	**-**	**7,913,713**	**(154)**	**7,913,559**	**-**

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 € 422,371 thousand.

Part E - Information on Risks and relating hedging policies

A.1.5 Prudential consolidated perimeter - On-balance sheet and off-balance-sheet credit exposures to customers: gross and net values

(Amounts in € thousand)

Type of exposure/Amounts	Gross exposures		Total value adjustments and total provisions	Net exposure	Total Write-off
	Impairment	Non impairment			
A. On-balance sheet credit exposures					
a) Bad exposure	18,681	X	(16,566)	2,115	-
- of which: forborne exposures	276	X	(242)	34	-
b) Unlikely to pay	3,309	X	(2,214)	1,095	-
- of which: forborne exposures	425	X	(306)	119	-
c) Past-due impaired loans	2,320	X	(1,002)	1,318	-
- of which: forborne exposures	95	X	(18)	77	-
d) Past due non-impaired exposures	X	25,216	(371)	24,845	-
- of which: forborne exposures	X	29	-	29	-
e) Other unimpaired exposures	X	23,161,857	(18,707)	23,143,150	-
- of which: forborne exposures	X	1,706	(30)	1,676	-
Total (A)	**24,310**	**23,187,073**	**(38,860)**	**23,172,523**	**-**
B. Off-balance sheet exposures					
a) Impaired	101	X	-	101	-
b) Unimpaired	X	2,769,563	(96)	2,769,467	-
Total (B)	**101**	**2,769,563**	**(96)**	**2,769,568**	**-**
Total (A+B)	**24,411**	**25,956,636**	**(38,956)**	**25,942,091**	**-**

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 949,843 thousand.

Part E - Information on Risks and relating hedging policies

B.4 Large exposures

As at June 30, 2021 the following "risk positions" constituted "large exposure" pursuant to the provisions of the Implementing Regulation (EU) no. 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council, and subsequent Regulations that modify its content:

- book value: € 25,852,839 thousand, excluding the reverse repo transactions and indirect exposures as defined below;
- non-weighted value: € 31,953,445 thousand;
- weighted value: € 2,743,106 thousand;
- number of "risk positions": 38.

It should be noted that, in compliance with the EBA Guidelines on connected customers pursuant to Article 4, paragraph 1, point 39) of Regulation (EU) no. 575/2013, the large exposures also include counterparties that have links with central administrations and that, although they do not exceed the threshold of 10% of the eligible capital for large exposures individually, exceed this limit considering also the exposure to the sovereign state to which they are connected with a control bond.

Regulation (EU) 876/2019, which came into force from 28 June 2021, introduced a requirement to apply the "Substitution Approach" when an institution reduces its exposure to a client using a credit risk mitigation technique. This means that when an exposure to a customer is guaranteed by a third party or collateral issued by a third party, the institution must:

a) treat the portion of the guaranteed exposure as an exposure to the guarantor and not to the client, provided that the unsecured exposure to the guarantor is assigned a risk weight that is less than or equal to the risk weight of the unsecured exposure to the client under Part Three, Title II, Chapter 2 of the CRR;
b) treat the portion of the exposure secured by the market value of recognised collateral as an exposure to the third party and not to the client, provided that the exposure is secured by collateral and the secured portion of the exposure is assigned a risk weight that is less than or equal to the risk weight of the unsecured exposure to the client under Part Three, Title II, Chapter 2 of the CRR.

In addition, the abovementioned Regulation requires institutions to add to total exposures to a client the exposures arising from derivative contracts where the contract has not been entered into directly with that client but the underlying debt or equity instrument has been issued by that client.

The above exposures therefore include both direct and indirect exposures, as defined above, of the FinecoBank Group to the same customer or group of connected customers.

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 consequent reduction of risk-weighted assets and exposure for large exposures of the UniCredit Group.

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.

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.

Part E - Information on Risks and relating hedging policies

Information on Sovereign Exposures

The Group is exposed to the sovereign debt of some countries, having invested a portion of its assets in debt securities issued by governments and recognized in the caption "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 June 30, 2021. The Group is exposed to Sovereign debt securities which are classified under the caption "Other financial assets mandatorily at fair value" accounts for € 66 thousand.

In addition, the Group hold investments in debt securities issued by Supranational institutions and Agencies accounted for in "Financial assets at amortized cost" (for further details, see the Part B of these Notes to the Consolidated Accounts).

(Amounts in € thousand)

	Nominal value as at	Carrying amount as at	Fair value as at	% Financial statements item
	06/30/2021	06/30/2021	06/30/2021	06/30/2021
Italy	**5,729,488**	**6,189,996**	**6,504,443**	**18.8%**
Financial assets at amortised cost	5,729,488	6,189,996	6,504,443	20.3%
Spain	**4,050,000**	**4,384,163**	**4,511,765**	**13.3%**
Financial assets at amortised cost	4,050,000	4,384,163	4,511,765	14.4%
Germany	**125,000**	**126,865**	**133,462**	**0.4%**
Financial assets at amortised cost	125,000	126,865	133,462	0.4%
France	**1,283,500**	**1,329,317**	**1,355,428**	**4.0%**
Financial assets at fair value through other comprehensive income	35,000	36,637	36,637	25.5%
Financial assets at amortised cost	1,248,500	1,292,680	1,318,791	4.2%
U.S.A.	**687,479**	**695,948**	**700,407**	**2.1%**
Financial assets at fair value through other comprehensive income	67,317	67,684	67,684	47.2%
Financial assets at amortised cost	620,162	628,264	632,723	2.1%
Austria	**512,500**	**518,714**	**540,310**	**1.6%**
Financial assets at amortised cost	512,500	518,714	540,310	1.7%
Ireland	**945,500**	**987,143**	**1,027,387**	**3.0%**
Financial assets at fair value through other comprehensive income	35,000	39,117	39,117	27.3%
Financial assets at amortised cost	910,500	948,026	988,270	3.1%
United Kingdom	**46,617**	**47,264**	**47,263**	**0.1%**
Financial assets at amortised cost	46,617	47,264	47,263	0.2%
Belgium	**540,000**	**556,592**	**580,349**	**1.7%**
Financial assets at amortised cost	540,000	556,592	580,349	1.8%
Portugal	**330,000**	**388,437**	**396,931**	**1.2%**
Financial assets at amortised cost	330,000	388,437	396,931	1.3%
Switzerland	**45,537**	**46,217**	**46,166**	**0.1%**
Financial assets at amortised cost	45,537	46,217	46,166	0.2%
Saudi Arabia	**90,000**	**89,991**	**88,595**	**0.3%**
Financial assets at amortised cost	90,000	89,991	88,595	0.3%
Chile	**208,100**	**221,414**	**218,154**	**0.7%**
Financial assets at amortised cost	208,100	221,414	218,154	0.7%
Israel	**153,050**	**167,441**	**167,600**	**0.5%**
Financial assets at amortised cost	153,050	167,441	167,600	0.6%
China	**165,832**	**165,326**	**162,881**	**0.5%**
Financial assets at amortised cost	165,832	165,326	162,881	0.5%
Latvia	**30,000**	**29,694**	**29,537**	**0.1%**
Financial assets at amortised cost	30,000	29,694	29,537	0.1%
Qatar	**21,037**	**23,725**	**23,993**	**0.1%**
Financial assets at amortised cost	21,037	23,725	23,993	0.1%
Iceland	**15,000**	**14,959**	**14,865**	**0.0%**
Financial assets at amortised cost	15,000	14,959	14,865	0.0%
Total sovereign exposures	**14,978,640**	**15,983,206**	**16,549,536**	**48.6%**

The % reported in line with Sovereign counterparties and in the item "Total Sovereign exposures" have been determined on the Group's total assets, whereas those reported in line with the balance sheet items have been determined on the total of the individual items of the financial statements.

Please note that securities denominated in currencies other than euro have been converted into euro according to the spot exchange rate at the reference date of the financial statements.

Part E - Information on Risks and relating hedging policies

As at June 30, 2021, investments in debt securities issued by Sovereign States accounted for 48.6% of the Group’s total assets and none of them were structured debt securities. The Group is therefore exposed to fluctuations in the price of the public debt securities of the countries listed above. Tensions or volatility in the government bond market may negatively affect the Group's financial position and performance.

Part E - Information on Risks and relating hedging policies

The following table shows the sovereign ratings as at June 30, 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
Poland	A2	A-	A-
France	Aa2	AA	AA
USA	Aaa	AAA	AA+
Austria	Aa1	AA+	AA+
Ireland	A2	A+	AA-
United Kingdom	Aa3	AA-	AA
Belgium	Aa3	AA-	AA
Portugal	Baa3	BBB	BBB
Switzerland	Aaa	AAA	AAA
Saudi Arabia	A1	A	A-
Chile	A1	A-	A
Israel	A1	A+	AA-
China	A1	A+	A+
Latvia	A3	A-	A+
Qatar	Aa3	AA-	AA-
Iceland	A2	A	A

Part E - Information on Risks and relating hedging policies

1.2 - Market risk

Market risk derives from changes in market variables (interest rates, securities prices, exchange rates, etc.) affecting the economic value of the Group's portfolio. The latter includes assets held in the trading book (assets held for trading) as well as those in the banking book, i.e. the transactions connected to strategic investment choices.

Risk Management Strategies and Processes

The Board of Directors of FinecoBank sets strategic guidelines for market risks taking, approves the market risk general framework and any significant changes, relating to the organisational structure, strategies, and methodologies and defines maximum risk appetite level.

The strategic approach of the Group is to maintain the minimum level of market risk compatibly with business needs and the limits established by the Risk Appetite Framework approved by the Board of Directors.

Market risk in FinecoBank is defined through two sets of limits:

- Overall measures of market risk (e.g. VaR): which are meant to establish a boundary to the internal capital absorption and to the economic loss accepted in trading activities; these limits must be consistent with assigned revenue targets and the defined risk taking capacity;
- Granular measures of market risk (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with the overall limits; in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for granular limits aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

Structure and Organisation

The Market and 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 the first half of 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 CRO Department of the Group is responsible for monitoring market risk on the banking book by defining the structure, the relevant data and the frequency for adequate reporting.

Market risk in the banking book mainly consists of credit spread risk, interest rate risk and exchange rate risk.
The first one mainly arises from investments in debt securities held for liquidity purposes. Market risk associated with the bond portfolio is monitored and restrained by limits on the notional amount, Economic Value sensitivity and 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 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 countrparty risk, besides the employed pricing model. In addition, each pricing model used for *fair value* calculation is validated by a dedicated function independent from business units.

In order to ensure an adequate separation between developing functions and validating functions, all valuation models developed shall be centrally tested and validated by functions fully independent from those that have developed the model thereof. Model validation is also centrally carried out for any new system or analysis tool whose outcome has a potential impact on the Group's economic results.

In addition to daily marking to market or marking to model, the CRO Department carries out an Independent Price Verification (IPV) . This is the process through which market prices or model inputs are regularly verified for accuracy and independence. Whereas marking to market or marking to model may be performed daily by front-office dealers, the verification of market prices and model inputs is performed on a monthly basis.

Risk measures

VaR

The VaR calculated within market risk measurement for both the banking and trading book is based on the historical simulation approach. The selected model has several advantages:

- it is easy to understand and communicate;
- it does not require any specific assumptions about the functional form of the distribution of yields of the risk factors;
- it does not require an estimation of the variance-covariance matrix of the market factors that may affect the value of the portfolio.
- it captures the correlation structure reflected in the simultaneous changes in market factors, implicitly assuming that it will remain constant in the future.

On the other hand VaR models based on historical simulations do not provide any information on the amount of the loss exceeding the VaR. This why the Group's framework uses additional instruments such as stress tests.

1.2.1 Interest rate risk and price risk – regulatory trading book

Qualitative information

A. General Matters

The trading book is used to hold debt securities (ordinary and subordinated, structured and plain vanilla), equity instruments, and certificates – listed and non-listed – related to brokerage activities with retail customers.

The Group does not perform proprietary trading and does not assume speculative positions in its books. Accounting movements in the Group's trading book are recorded against brokerage activities with retail customers, in particular for OTC instruments trading. Other movements in the trading book are recorded for the own account dealing, available for several securities when the Group takes on the role of counterparty to the customer. This activity is performed as a result of the options introduced by the MiFID which allow the execution of orders for financial instruments in a number of execution venues including internal execution.

B. Processes for managing and methods for measuring interest rate risk and price risk

For a characterization of both internal risk monitoring, managing processes and risk assessment methodologies, please refer to the introduction.

3. Regulatory trading book: internal models and other methods of sensitivity analysis

The Group monitors the VaR of the Trading Book on a daily basis.

As at June 30, 2021, the daily VaR of the trading book amounted to € 308 thousand. The average for the first half of 2021 is € 229 thousand, with a maximum peak of € 508 thousand and a minimum of € 55 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:
    - 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 Group's banking book positions.

Within the organisational framework described above, the Board of Directors approves the limits on interest rate. These limits are set in terms of VaR (calculated using the methodology described above in relation to the trading book). The Parent Company is responsible for managing the exposure to interest rate risk within the limits assigned.

In order to assess the effects of changes in the yield curve on the banking book, scenario analyses involving the parallel shifts in the rate curve of +/- 100 bps and +/- 200 bps are conducted at weekly intervals; further six standardized scenarios proposed by EBA guidelines are also conducted on a weekly basis. For more details see section *2. Banking book: internal models and other methods of sensitivity analysis.*

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2. Banking book: internal models and other methods of sensitivity analysis

In order to measure interest rate risk in the Group's financial statements it is necessary to measure the sensibility of loans and deposits to changes in the yield curve. FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of asset and liability items that do not have a contractual maturity; indeed even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

The following table provides the results of the analyses conducted in all currencies.

(Amounts in € thousand)

	Value analysis (shift + 200 bp)	Value analysis (shift - 200 bp)	Value analysis (shift +1 bp)	Irvar*	Interest rate analysis (+100bp)	Interest rate analysis (-30bp)
06/30/2021	+68,301	-15,258	+397	-4,372	+126,211	-27,885

*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 € +68,301 thousand. A shift of -200 basis points showed a negative impact of € -15,258 thousand.

The sensitivity analysis on Group's capital, which was conducted assuming a shift of + 1 basis point, showed a positive impact of € +397 thousand.

As of June 30, 2021, the interest rate VaR figure for the Bank came to approximately € 4,372 thousand. The average for the first half of 2021 is equal to € 5,153 thousand with a maximum peak of € 12,223 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 € 43,563 thousand. The average for the first half of 2021 is equal to € 97,222 thousand with a maximum peak of € 165.896 thousand and a minimum of € 43,008 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 € 126,211 thousand. A shift of -25 basis points would have a negative impact of € 27,885 thousand on the NIM over the next 12 months.

1.2.3 Exchange Rate Risk

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

As part of its treasury activities, the Group collects funds in foreign currencies, mainly US dollars, through customer deposits, subsequently investing these funds mainly in bank deposits and bonds with leading credit institutions, denominated in the same currency. The impact on balance sheet items is estimated through the Forex VaR indicator.

The VaR of the Group's positions is not used for the calculation of Pillar 1 capital requirement, as it is not required by the selected traditional standardised approach. The metric described is therefore only used for managerial and risk monitoring purposes.

B. Exchange rate risk hedging

Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

The component of exchange rate risk that contributes to the formation of the overall VaR is usually tied to the temporal mismatch between assets and liabilities in US dollars.

2. Internal models and other methods of sensitivity analysis

As at June 30, 2021, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately € 37 thousand. The average for the first half of 2021 is equal to € 66 thousand with a maximum peak of € 153 thousand and a minimum of € 18 thousand.

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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, for both the Parent Company and its Legal Entities. In March 2021, the Global Policy was updated in order to ensure its consistency with the Liquidity and Capital Contingency Plan, the Group Recovery Plan as well as the Group RAF.

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 affect 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;

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- 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, a managerial indicator called Structural Ratio was also introduced. The new indicator, developed by the CRO Department of the Parent Company, has the objective of managing the risk of maturity transformation, considering the characteristics of Fineco's funding represented in the Bank's sight deposit model. This indicator complements the NSFR regulatory indicator described above, and shares its objectives and most of the 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 tensions.

Stress tests are carried out by simulating scenarios of idiosyncratic stress (decline in customer confidence) and situations of general market shocks; 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 magnitude thereof necessary to compromise the adequacy of the Group's liquidity risk profile.

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 CRO Department of the Parent Company 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 increasing significantly the probability of successfully overcoming the state of emergency. This is achieved through:

- activation of extraordinary liquidity governance and operating model;
- consistent communication both internal and external;
- a set of available mitigating liquidity actions;

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- 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 test exercises, 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. Such stability has also characterized the first half of 2021, also due to the Group's policies on client's current account liquidity, which highly encourages investments. From the beginning of the pandemic crisis, direct funding as a whole has increased.

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.

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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 Board of Director has approved the policies and procedures for controlling, measuring and mitigating the Group's operational risks. The operational and reputational risk Policy defines the roles of corporate bodies and of the risk management function as well as any interactions with other functions involved in the process. Besides setting roles and responsibilities, the policy describes the risk measuring and monitoring process and the activities carried out for mitigation and prevention purposes.

Organisational structure

The Board of Directors is responsible for approving all aspects relating to the operational risk framework and verifying the adequacy of the measurement and control system and is regularly updated on changes to the risk profile and operational risk exposure.

The reports produced by the 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 the management and mitigation of the risks. 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) team 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:

- defininition of the system mitigating and controllling operational risks, in compliance with external regulations and, in accordance with the guidelines provided by the Board of Directors, and the Group's operational evolution;
- regularly prepare reports on exposure to operational and reputational risks aimed at informing and supporting management in management activities;
- prepare a Risk Indicators framework aimed at preventing human error related operational risks and deficiencies in internal procedures as well as incorrect execution of processes;
- verify that operating loss data identified by the various areas of the Group are regularly and promptly recorded;
- carry out, in collaboration with the other corporate functions, scenario analyses aimed at identifying and preventing potentially high impact losses, albeit unlikely;
- suggest operational risk mitigation strategies to the CRO;
- carry out training and support on the control of operational risks to the Group's structures;
- guarantee a reputational risk oversight within the perimeter defined by the Group;
- carry out systematic remote controls, through Risk Indicators, on the entire sale Network, in order to mitigate the internal fraud arising from PFA operations;
- implement and update the anomaly indicator management system framework, also according to new company activities and regulations;
- evaluate the effectiveness of PFA disloyalty insurance coverage, considering renewals, franchise and excess;
- evaluate operational and/or reputational risks resulting from the most significant transactions (e.g. significant outsourcing), ensuring their consistency with the RAF;
- ensure the effective implementation of the ICT risk assessment methodology, supporting and coordinating the individual functions involved during the process, each according to their responsibilities.

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Operational risk management and mitigation

Operational risk management consists in the review of processes meant to reduce the identified risks, the management of the related insurance policies, as well as the identification of the suitable franchise and excess values thereof.

In order to identify and develop new mitigation measures, it has been established a Permanent Work Group (PWG). The PWG, which includes the CRO, as well as Information Security & Fraud Manager and Organization, is meant to allow participating functions to share their respective expertise in relation to projects planned or under way, new processes and products, or changes to them, and anything else that might affect the Group's risk profile.

As part of operational risk prevention and controls on the sales network, the CRO Department 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 (22 indicators).

On the basis of qualitative and quantitative assessments of these indicators, the assigned staff select any cases that need to be reported to the Network Controls, Monitoring and Network Services Department – reporting directly to the Chief Executive Officer – for subsequent examination.

Moreover, the Operational & Reputational Risk team is updated annually on the results of the tests conducted in accordance with the Business Continuity and Disaster Recovery plans.

In addition to the aforementioned controls, reputational risks are monitored through the risk assessment carried out by the CRO Department throughout the definition, development and approval phase of the Group's products. To that end the Chief Risk Officer attend the Product Committee.

Risk measurement system

FinecoBank applies the standardized method (TSA) for the calculation of capital requirements for operational risk. Nevertheless, the governance, the oversight and the reporting framework previously adopted and developed for the internal method for measuring the capital requirement (AMA), have been retained.

The Operational & Reputational Risk team 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 operational losses is carried out for internal prevention and improvement purposes. As far as risk indicators are concerned, the team uses a set of several key risk indicators divided into control areas (Credit Cards, Compliance, HR, Legal, Operations securities, Payment Systems, Claims, Risk Management, IT systems, Security, Administration and Audit), with which the Group 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. In 2020, a set of ESG relevant indicators has 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. In the first half of 2021, the set of indicators has been extended in order to improve controls on Bank Transparency and Gender Party Equality.

Scenario analyses allow the assessment of the Group’s exposure to operational risk characterised by low frequency but high potential impact. Scenarios are set by analysing internal losses, external events, risk indicator trends, critical processes, products and risk classes.

Risk capital for operational risk used for regulatory purposes as at June 30, 2021, amounted to € 95,590 thousand.

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 incur. Where it is possible to reliably estimate the amount of possible charges and the charges are considered likely, provisions have been made in an appropriate amount based on the circumstances and consistent with applicable international accounting standards, by making the best possible estimate of the amount that the Group will reasonably be expected to incur in discharging its obligations. Specifically, as a precaution against these obligations and customer claims that have not yet resulted in legal proceedings, as at June 30, 2021, FinecoBank had a provision in place for risks and charges of € 24,774 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.

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Risks arising from tax disputes and audits

Risks arising from tax disputes and audits as at June 30, 2021mainly 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 June 30, 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).

FinecoBank has established and adopted a framework for the assessment of ICT risk: the results of the analysis, conducted in collaboration with the Group's Business, ICT and Organisation structures, were reported to the Board of Directors in the month of December 2020. The analysis showed that, with respect to the business volumes processed and the complexity of the processes involved, the residual IT risk of FinecoBank is on average low. The exposure to residual risk has been formally accepted by Fineco's Top Management without the need to identify additional mitigation measures.

The Group's goal is also to protect customers and the business by ensuring data security, declined in its characteristics of availability, confidentiality and integrity. Particular attention is in fact paid to the issues of Cyber Security & Fraud Management from the system design phase, as enabling elements for the correct definition of solutions and services offered, also taking advantage of the opportunities offered by the evolving regulatory context, in order to create full security for the customer while maintaining ease of use.. For further information on Cyber Security and Fraud Management, please refer to the Consolidated Non-Financial statement of the FinecoBank Group as at December 31, 2020, published on the FinecoBank website (https://www.finecobank.com).

Analysis of operational and security risks related to payment services

In accordance with the 28th update of Bank of Italy Circular 285, the Group 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 2020 did not show any critical issue or focal point, and was sent to the Bank of Italy within April 30, 2020, according to the rule thereof.

Impacts of the crisis unfolded by COVID-19

No relevant impacts have been detected, except for physiological slowdown of certain operational activities in relation to the early stages of the emergency and the arrangement of procedures related to government measures adopted in response to the crisis. Available KRI are not showing any risk profile change, and it has not been detected any operational loss strictly connected with COVID 19 so far.

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 the Operational & Reputational Risk team to make assessments on the Group's exposure to operational risk and to identify any critical areas.

The main sources of operating losses are shown below by "event type", i.e. by type of event that generated them according to the Basel 2 framework:

- Internal fraud: losses due to unauthorised activities, fraud, embezzlement or infringement of laws, regulations or company directives that involve at least one internal staff member of the Group or a resource hired under an agency contract (PFA);
- External fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the Group;
- Employment practices and workplace safety: losses due to actions not compliant with the law or to agreements regarding employment, health and safety, to the payment of compensation for bodily harm, or to cases of discrimination or non-application of equality conditions;

Part E - Information on Risks and relating hedging policies

- 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.

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.

During 2020, also the climate and environmental risks as well as ESG risks were introduced in the Group risk map.

The main risks considered in the overall Group Internal Capital as of June 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 risk

The Group has long been sensitive to issues related to climate change and is constantly committed to monitoring the effects and assessing, in the context of risk governance, the repercussions and effects on its credit and asset management activities.

Considering the business activity carried out and the adopted business model, Fineco believes having a moderate environmental impact, as well as being exposed to climate change to a limited extent. The investment policy is, in fact, based on granting of credit to Retail customers and investing mainly in financial instruments of Central Administrations (Government Bonds). Credit granting to large, small and medium-sized enterprises and corporate projects or plants financing is not part of the Group's policy.

The limited exposure to firms preserves the Group both from the risk of causing impacts on the environment through financing counterparties associated with a high environmental risk (e.g. industries in the energy sector) and from the risk of indirectly being affect by any possible environmental events damaging its customers. The high diversification of the commercial portfolio (both in individual and territorial terms) protects indeed the Group from the possible deterioration of the solvency of customers due to environmental factors, such as atmospheric events or natural disasters.

The environmental impact of the FinecoBank Group is therefore mainly attributable to the direct consumption of resources at its operating offices and financial advisors offices. For the initiatives promoted by the Group, aimed at reducing consumption at its operating offices, please refer to the Consolidated Non-Financial statement as of December 31, 2020.

ECB expectation concerning climate and environmental risks suggest that banks should specifically include such risks in the Risk Appetite Framework, both for what concerns the strategy and monitoring and measurement through dedicated indicators. Following the analysis on the Fineco business model, the Group’s exposures and risk factors, the Risk Management Function has identified as a potential risk area, in terms of impact, the deterioration of real estate collateral covering mortgages. The exposure at such risk has been assessed in a medium/long term and marked as a low impact physical risk. As far as transition risk is concerned, no potential, relevant impact has been identified.

Despite the negligible exposure to climate and environmental risk, it was considered appropriate to include a specific indicator within the 2021 Risk Appetite Dashboard, aimed at monitoring the quality of real estate collateral subject to a high seismic, landslide or hydraulic risk.

In addition to this, as part of the design and implementation process, on a voluntary basis, of the Environmental Management System compliant with the requirements of EMAS regulation no. 1221/2009/EC, during the first half of 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

Part E - Information on Risks and relating hedging policies

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 through the activation of 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 and the intensification of information and training flows in the environmental field with the main stakeholders..

Risks associated with "Brexit"

The Group is adopting all the necessary measures, following the exit of the United Kingdom from the European Union, in order to minimise as much as possible impacts to the services offered to UK customers.

FinecoBank offers remote services in the UK, thanks to the MiFid passporting for financial products which will be valid even after the Brexit event.

In order to continue to develop the business in the UK, FinecoBank has, in fact, activated the procedures of the Temporary Regime envisaged by the British authorities, with whom it is in continuous contact for future developments in this regard.

Section 3 – Insurance companies risk

No information to report.

Section 4 – Other companies' risk

No information to report.

Part F - Consolidated shareholders' equity

Section 1 - Consolidated Shareholders' equity

A. Qualitative information

The management of the Group's Shareholders' equity is oriented towards ensuring that prudential ratios are consistent with the risk profile assumed and comply with regulatory requirements.

The control of capital adequacy at individual and consolidated level has performed by the capital management activity where the size and optimal combination among the various capitalization instruments are defined, in compliance with regulatory constraints and in line with the risk profile assumed by the Group.

The Group assigns a priority role to the activities aimed at the management and allocation of capital according to the risks assumed, for the purpose of developing its operations with a view to creating value. The activities are articulated in the different phases of the planning and control process and, in particular, in the plan and budget processes and in the monitoring processes. In the dynamic management of capital, therefore, the Parent Company draws up the financial plan and monitors the regulatory capital requirements, anticipating the appropriate interventions necessary to achieve the objectives.

Capital and its allocation are therefore extremely important in defining strategies long-term, since on the one hand it represents the shareholders' investment in the Group, which must be adequately remunerated, on the other hand it is a scarce resource on which there are external limitations imposed by regulatory provisions.

The consolidated shareholders' equity includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement[33], 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%.

[33] 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	980,114	-	-	-	980,114
4. Equity instruments	500,000	-	-	-	500,000
5. (Treasury shares)	(1,440)	-	-	-	(1,440)
6. Revaluation reserves:	(1,863)	-	-	-	(1,863)
- Financial assets (other equity securities) designated at fair value through other comprehensive income	1,767	-	-	-	1,767
- Actuarial gains (losses) on defined benefit plans	(3,630)	-	-	-	(3,630)
7. Net profit (loss) for the year	216,670	-	-	-	216,670
Total	**1,896,682**	**-**	**-**	**-**	**1,896,682**

As reported under "Significant events during the period" in the consolidated Interim report on operations, it should be noted that on 23 July 2021, the European Central Bank decided not to extend beyond September 2021 its recommendation to all banks to limit dividends. Instead, the supervisory authorities will resume assessing each bank's capital and dividend plans as part of the regular prudential process. In this context, the Bank of Italy has also published a new recommendation on banks' dividend distribution and variable remuneration policies that repeals the Recommendation of 16 December 2020. In line with the decision taken by the European Central Bank, considering that the latest macroeconomic projections show signs of improvement in the economy, Bank of Italy will return to adopting the criteria for capital assessment and dividend distribution and share repurchase plans by banks as part of the ordinary SREP process. However, the recommendation on dividends remains applicable until 30 September 2021, so decisions on dividend payouts should be taken in the fourth quarter of 2021.

Taking into account the aforementioned declarations, the shareholders' equity resulting from the financial statements for the year ended 31 December 2020 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 € 323,246,878.10, drawn from the available profit reserves.

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	1,767	-	-	-	-	-	-	-	1,767	-
2. Equity securities	-	-	-	-	-	-	-	-	-	-
3. Loans	-	-	-	-	-	-	-	-	-	-
Total 06/30/2021	**1,767**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,767**	**-**
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	**150**	**-**	**-**
2.1 Fair value increases	150	-	-
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	**(762)**	**-**	**-**
3.1 Fair value reductions	(758)	-	-
3.2 Recoveries for credit risk	(4)	-	-
3.3 Reclassification through profit or loss of realised positive reserves	-	X	-
3.4 Transfer to other shareholder's equity item (equity securities)	-	-	-
3.5 Other changes	-	-	-
4. Closing balance	**1,767**	**-**	**-**

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	**1,585**
2.1 Fair value increases	1,585
2.2 Other changes	-
3. Decreases	**(3)**
3.1 Fair value reductions	**(3)**
3.2 Other changes	**-**
4. Closing balance	**(3,630)**

Part F - Consolidated shareholders' equity

Section 2 - Own funds and banking regulatory ratios

Please refer to the information on own funds and capital adequacy contained in the document " FinecoBank Group public disclosure - Pillar III as at 30 June 2021" published on the Company's website www.finecobank.com.

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 06/30/2021**	**Total 06/30/2020**
Remuneration paid to "Key Management Personnel", Directors and the Board of Statutory Auditors		
a) short-term benefits	3,638	3,455
b) post-employment benefits	126	128
of which under defined benefit plans	-	-
of which under defined contribution plans	*126*	*128*
c) other long-term employee benefits	-	-
d) termination benefits	-	-
e) share-based payments	1,319	1,216
Total	**5,083**	**4,799**

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").

The aforementioned Global Policy includes the provisions to be complied with when managing:

- Transactions with Related Parties pursuant to the Consob Regulation adopted by resolution on March 12, 2010, no. 17221 (and subsequent amendments);
- Transactions with Associated Persons pursuant to the regulations on "*Risk activities and conflicts of interest with Associated Persons*", established in Chapter 11 of the Bank of Italy Circular 285/2013 ("Supervisory Provisions for Banks"), as amended following the update n. 33 of 23 June 2020;
- Obligations of Bank Officers pursuant to Article 136 of Legislative Decree 385 on September 1, 1993, the " *Italian Banking Law* ";
- Transactions with additional relevant persons in potential conflict of interest as identified by way of self-regulation by the Bank, taking into account the applicable law and regulations.

Considering the above, during first half of 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 June 30, 2021, for each group of related parties pursuant to IAS 24:

(Amounts in € thousand)

	Amounts as at 06/30/2021					
	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	921	25	946	0.00%	4,043	0.02%
Total assets	**921**	**25**	**946**	**0.00%**	**4,043**	**0.01%**
Financial liabilities at amortised cost b) deposits from customers	1,689	1,246	2,935	0.01%	1,765	0.01%
Other liabilities	144	-	144	0.03%	-	0.00%
Total liabilities	**1,833**	**1,246**	**3,079**	**0.01%**	**1,765**	**0.01%**
Commitments and financial guarantees given	**158**	**-**	**158**	**0.21%**	**-**	**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 1st half 2021					
	Directors, board of statutory auditors and key management personnel	Other related parties	Total	% of carrying amount	Shareholders	% of carrying amount
Interest income and similar revenues	1	-	1	0.00%	-	0.00%
Fee and commission income	2	2	4	0.00%	8,174	1.94%
Fee and commission expenses	-	-	-	0.00%	(1,249)	0.61%
Other net operating income	31	4	35	0.05%	-	0.00%
Total income statement	**34**	**6**	**40**		**6,925**	

With regard to the category "Directors, Board of Statutory Auditors and Key Management Personnel", in application of the special regulations laid down in Article 136 of Legislative Decree 385/93 (Consolidated Law on Banking), the obligations established for persons that perform administrative, management and control functions pursuant to those regulations were unanimously approved by a resolution of the Board of Directors with the favourable vote of all members of the Board of Statutory Auditors, in accordance with Article 136 of said Consolidated Law on Banking.

The category "Directors, Board of Statutory Auditors and Key Management Personnel" includes their dealings (excluding their remuneration, which are discussed in point 1. *Details of compensation for key management personnel*) and dealings with the Head of Internal Audit of FinecoBank, mainly concerning assets for credit card use, mortgages and liabilities for funds held by them with the Bank. The income statement for first half 2021 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Other related parties" category, if any, includes:

- close family members of key management personnel (i.e., relatives who could be expected to influence, or be influenced by the party involved);
- companies controlled (or jointly controlled) by, or associated with, "key management personnel" or their close family members;
- Group employee post-employment benefit plans.

Transactions with "Other related parties" mainly refer to assets for credit card use and liabilities for funds held with the Bank. The income statement for first half 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 June 30, 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 first half 2021.

Part L - Segment reporting

Segment reporting information is not provided as the Fineco's particular business model provides for a high level of integration among its different activities including the activity carried-out by the Irish subsidiary Fineco Asset Management DAC thanks to the vertically integrated business model; thus it is not significant to identify distinct operating sectors.

The banking and investment services are offered by FinecoBank through a network of personal financial advisors and online and mobile channels, that operate in a coordinated and integrated manner. The fully-comprehensive nature of the services offered allows to act as a one-stop solution for customers' banking and investment requirements. This strategy, which is strongly anchored to the customer, means that revenues and margins relative to various products/services (investing, banking and brokerage) are highly interdependent on each other. This integration approach has also inspired top management in setting company targets and identifying the means to achieve them.

As regards information on revenues from customers by product/service, in view of the above, reference should be made to information in Part C - Information on the consolidated income statement of these notes to the accounts.

It is note worthing that FinecoBank mainly targets retail customers in Italy, given the non-significant contribution from operations to UK customers. The subsidiary Fineco Asset Management DAC carries out asset management activities in Ireland, towards the Italian retail customers and towards institutional customers, mainly resident in Luxembourg and in Ireland.

Information concerning the degree of dependency on main customers is therefore considered by top management as not relevant and is not therefore disclosed.

Part M – Leasing

Section 1 - Lessee

Qualitative information

The leasing contracts that fall within the scope of application of the standard IFRS16 are represented by the lease contracts of the properties used by the Group and by the financial shops used by financial advisors and managed directly by the Bank, in addition to lease contracts for machinery and cars.

The Group is potentially exposed to outgoing financial flows, for variable payments due for leasing (in particular referring to the ISTAT revaluation), not included in the initial valuation of the lease liability.

The Group has determined the duration of the lease, for each individual contract, considering the "non-cancellable" period during which it has the right to use the underlying asset and taking into account all the contractual aspects that can change this duration, including, in particular, the possible presence of:

- periods covered by a right of resolution (with related penalties) or an option to extend the lease to the lessee, the lessor alone, or to both, even at different periods over the duration of the contract;
- periods covered by an option to purchase the underlying asset.

In general, with regard to contracts that provide the option right for the Bank or the subsidiary to automatically renew the lease at the end of an initial contractual period, the duration of lease has determined based on historical experience (in particular for the Bank) and the information available at the date, considering in addition to the non-cancellable period also the period subject to the extension option (first contract renewal period), except for the existence of business plans to dispose of the leased asset as well as clear and documented assessments by the competent Group structures that lead to consider reasonable the failure to exercise the option to renew or exercise the termination option, also taking into account, with particular regard to the financial shops in use by the financial advisors of the Bank, the commercial strategies of recruitment and territorial organization of the network.

The Group has not provided guarantees on the residual value of the leased asset and has no commitments for the stipulation of lease contracts not included in the value of the lease liability recognized in the financial statements.

In accordance with the rules set by the standard, which grants exemptions in this regard, contracts underlying the so-called "Low-value assets" (for which the threshold was set at €5 thousand) mainly consisting of mobile phone rental contracts, all leasing contracts with a contractual duration of 12 months or less (so-called "short term lease") it was decided not to apply the principle to the leasing of intangible assets (mainly represented by software leasing). For these contracts, the related fees are recognized in the income statement on accrual basis for the corresponding duration.

Quantitative information

With regard to the information on the rights of use acquired with the lease, please refer to Part B - Assets - Section 9 - Tangible assets - Item 90 of these notes to the accounts.

With regard to the information on the lease liabilities, please refer to Part B - Liabilities - Section 1 - Financial liabilities at amortized cost - Item 10 of these notes to the accounts.

Furthermore, with regard to the information on:

- interest expenses on leasing liabilities, please refer to Part C - Section 1 - Item 20;
- the other charges connected with the rights of use acquired with the lease, please refer to Part C - Section 14 - Net impairments / write-backs on property, plant and equipment - Item 210.

It should be noted that no gains and losses deriving from sale and leaseback transactions have been recorded, as well as income deriving from sub-lease transactions.

Part M – Leasing

The depreciation recognized for the first half of the year for right-of-use assets by class of underlying asset is shown below:

(Amounts in € thousand)

Assets	Depreciation 1st Half 2021	Depreciation 1st Half 2020
Right of use	**-**	**-**
1. Property, plant and equipment	**(5,426)**	**(5,691)**
1.1 land	-	-
1.2 buildings	(5,295)	(5,561)
1.3 ofcice furniture and fittings	-	-
1.4 electronic systems	-	-
1.5 other	(132)	(130)

As of June 30, 2021, there are no short-term leasing commitments for which the cost has not already been recognized in the income statement for the first half 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 accounts.

1. Balance sheet and income statement information

The Group has not recognized leasing loans. As regards the activities granted under operating leasing, as previously described, the Group has leasing transactions in place as lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11.

The payments due for the operating lease have been recognized, on an accrual basis, in the consolidated income statement as income. For more details, please refer to that illustrated in Part C - Section 16 - Other operating expenses and income - Item 230 of these notes to the accounts.

2. Financial lease

2.1 Classification by time bands of the payments to be received and reconciliation with the loans for leasing entered in the assets

No information to report.

2.2 Other information

No information to report.

Part M – Leasing

3. Operating lease

3.1 Classification by time bands of the payments to be received

A maturity analysis of the undiscounted lease payments to be received is shown below. It should be noted that the payments refer to the contractual rents provided for in the lease contracts of part of the property owned by FinecoBank, which allow tenants to withdraw early in compliance with the notice provided in the contract.

(Amounts in € thousand)

Maturity ranges	Total 06/30/2021 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	446	730
Over 4 years up to 5 years	120	160
For over 5 years	-	40
Total	**2,759**	**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	**06/30/2021**	**12/31/2020**
Cash and cash balances = item 10	1,562,295	1,760,348
Financial assets held for trading	21,393	16,997
20. Financial assets at fair value through profit or loss a) financial assets held for trading	*21,393*	*16,997*
Loans and receivables with banks	691,753	780,473
40. Financial assets at amortised cost a) loans and receivables with banks	*7,408,403*	*8,254,331*
less: Financial assets at amortised cost a) loans and receivables with banks - Debt securities	*(6,716,650)*	*(7,473,858)*
Loans and receivables with customers	5,269,368	4,527,837
40. Financial assets at amortised cost b) loans and receivables with customers	*23,029,018*	*20,839,192*
less: Financial assets at amortised cost b) loans and receivables with customers - Debt securities	*(17,759,650)*	*(13,611,355)*
Other financial assets	24,626,581	23,939,899
20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value	*6,838*	*10,988*
30. Financial asset at fair value through other comprehensive income	*143,443*	*143,698*
Financial assets at amortised cost a) loans and receivables with banks - Debt securities	*6,716,650*	*7,473,858*
Financial assets at amortised cost b) loans and receivables with customers - Debt securities	*17,759,650*	*16,311,355*
Hedging instruments	85,051	74,451
50. Hedging derivatives	*65,252*	*19,003*
60. Changes in fair value of portfolio hedged financial assets (+/-)	*19,799*	*55,446*
Property, plant and equipment = item 80	153,030	151,872
Other intangible assets = item 90 net of goodwill	38,189	39,597
Tax assets = item 100	38,323	13,314
Tax credits acquired	75,065	-
Other assets	254,110	360,627
130. Other assets	329,175	-
less: Tax credit acquired	(75,065)	-
Total assets	**32,904,760**	**31,755,017**

Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

Liabilities and Shareholder's Equity	Amounts as at 06/30/2021	12/31/2020
Deposits from banks	1,172,802	1,064,859
10. Financial liabilities at amortised cost a) deposits from banks	*1,172,802*	*1,064,859*
Deposits from customers	29,141,477	28,359,739
10. Financial liabilities at amortised cost b) deposits from customers	*29,141,477*	*28,359,739*
Financial liabilities held for trading = item 20	4,937	5,889
Hedging instruments	118,586	232,102
40. Hedging derivatives	*105,693*	*214,388*
50. Changes in fair value of portfolio hedged financial liabilities (+/-)	*12,893*	*17,714*
Tax liabilities = item 60	35,666	13,954
Other liabilities	534,610	391,349
80. Other liabilities	*421,427*	*273,784*
90. Provisions for employee severance pay	*4,941*	*4,924*
100. Provisions for risks and charges	*108,242*	*112,641*
Shareholders' Equity	1,896,682	1,687,125
- capital and reserves	1,681,875	1,366,387
140. Equity instruments	*500,000*	*500,000*
150. Reserves	*980,114*	*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	(1,863)	(2,833)
120. Revaluation reserves of which: financial assets at fair value through other comprehensive income	*1,767*	*2,379*
120. Revaluation reserves for actuarial net gains (losses) for defined benefit plans	*(3,630)*	*(5,212)*
- Net profit = item 200	216,670	323,571
Total liabilities and shareholders' equity	**32,904,760**	**31,755,017**

Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

INCOME STATEMENT	1st half 2021	1st half 2020
Financial margin	147,897	147,050
30. Net interest margin	*121,824*	*137,398*
+ net commissions on Treasury securities lending	*2,514*	*831*
+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)	*23,559*	*7,051*
+ gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income (unimpaired)	*-*	*1,770*
70. Dividend income and similar revenue	*114*	*53*
less: dividends from held-for-trading equity instruments included in item 70	*(84)*	*(23)*
less: dividends from from equity investments and equities mandatorily at fair value equity instruments included in item 70	*(30)*	*(30)*
Net fee and commission income = item 60	214,346	194,539
60. Net fee and commission income	*216,225*	*195,370*
+ other charges/income related to the application of the Fixed Operating Expenses (FOE) model	*635*	*-*
Less: net commissions on Treasury securities lending	*(2,514)*	*(831)*
Net trading, hedging and fair value income	40,571	47,661
80. Gains (losses) on financial assets and liabilities held for trading	*38,045*	*49,578*
90. Fair value adjustments in hedge accounting	*1,549*	*(871)*
110. Gains (losses) on financial assets and liabilities at fair value through profit or loss	*863*	*(1,099)*
+ dividends from held-for-trading equity instruments included in item 70	*84*	*23*
+ dividends from mandatorily at fair value equity instruments included in item 70	*30*	*30*
Net other expenses/income	644	1,392
230. Other net operating income	*67,624*	*52,621*
less: other net operating income - of which: recovery of expenses	*(67,470)*	*(52,263)*
less: adjustments of leasehold improvements	*1,125*	*1,034*
less: other charges/income related to the application of the Fixed Operating Expenses (FOE) model	*(635)*	*-*
REVENUES	**403,458**	**390,642**
Staff expenses	(52,884)	(48,893)
190. Administrative expenses - a) staff expenses	*(52,884)*	*(48,893)*
Other administrative expenses	(128,028)	(108,138)
190. Administrative expenses - b) other administrative expenses	*(134,608)*	*(108,007)*
less: contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*7,705*	*903*
+ adjustments of leasehold improvements	*(1,125)*	*(1,034)*
Recovery of expenses	67,470	52,263
230. Other net operating income- of which: recovery of expenses	*67,470*	*52,263*
Impairment/write-backs on intangible and tangible assets	(12,662)	(12,268)
210. Impairment/write-backs on property, plant and equipment	*(9,396)*	*(9,427)*
220. Impairment/write-backs on intangible assets	*(3,266)*	*(2,841)*
Operating costs	**(126,104)**	**(117,036)**
Operating profit (loss)	**277,354**	**273,606**
Net impairment losses on loans and provisions for guaranteed and commitments	(1,688)	(3,670)
130. Impairment losses/writebacks on: a) financial assets at amortised cost	*(419)*	*(7,451)*
less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities	*(1,234)*	*3,806*
130. Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income	*5*	*(6)*
less: impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*(5)*	*6*
140. Profit/loss from contract changes without cancellation	*-*	*21*
200. Net provisions for risks and charges a) provision for credit risk of commitments and financial guarantees given	*(35)*	*(46)*
Net operating profit (loss)	**275,666**	**269,936**
Other charges and provisions	(14,023)	(7,636)
200. Net provisions for risks and charges b) other net provision	*(6,318)*	*(6,733)*
+ contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)	*(7,705)*	*(903)*
Net income from investments	1,239	(3,818)
+ impairment losses/writebacks on: afinancial assets at amortised cost - debt securities	*1,234*	*(3,806)*
+ impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities	*5*	*(6)*
280. Gains (losses) on disposal of investments	*-*	*(6)*
Profit (loss) before tax from continuing operations	**262,882**	**258,482**
Income tax for the period = item 300	(46,212)	(78,308)
Net profit (loss) before tax from continuing operations	**216,670**	**180,174**
Profit (loss) for the period	**216,670**	**180,174**

As mentioned in the "Summary Data" section of the "Consolidated Interim Report on Operations", as of 30 June 2021, certain costs associated with the activities of financial advisors and related to services that are part of normal banking activities offered to clients (in particular the distribution and management of financial products) are recognised under item 50. "Commissions expenses" (previously they were recognised under item 190. "Administrative expenses") in order to provide a better representation of both the item "Operating income" ("Revenues" in the reclassified income statement) and the item "Operating expenses". For consistency of comparison, the comparative figures shown in the reclassified financial statements presented in the Interim consolidated management report on operations included in this consolidated half-year financial report as at 30 June 2021 have been reclassified.

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 interim financial statements, during the first half 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 interim financial statements:

c) 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;
d) correspond to the results of the books and accounting records;
e) are suitable to provide a fair and correct representation of the financial position and performance of the issuer and the group of companies included in the scope of consolidation;

3.2. The Consolidated interim report on operations includes a reliable analysis of the most significant events in the first six months of the financial year and their impact on the Condensed interim consolidated financial statements, together with a description of the main risks and uncertainties concerning the remaining six months of the year. The Consolidated first half financial report also contains a reliable analysis of information on significant related party transactions.

Milan, August 03, 2021

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

Report of the External Auditors

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111
Fax: +39 02 83322112
www.deloitte.it

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
FINECOBANK BANCA FINECO S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Gruppo FinecoBank (the "Group"), which comprise the consolidated balance sheet as of June 30, 2021, and the consolidated income statement, the statement of consolidated comprehensive income, the statement of changes in consolidated equity and the consolidated statement of cash flow for the six month period then ended, and the related explanatory notes. The Directors of FinecoBank Banca Fineco S.p.A. (the "Bank") are responsible for the preparation of these half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the half-yearly condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of Gruppo FinecoBank as of June 30, 2021 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Alessandro Grazioli
Partner

Milan, Italy
August 5, 2021

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

Glossary

ABS - Asset Backed Securities

Financial instruments whose performance and redemption are guaranteed by a portfolio of assets (collateral) of the issuer (usually a Special Purpose Vehicle - SPV), which is exclusively dedicated to the fulfilment of the rights embedded in the financial instruments themselves.

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.

Adjusted Leverage Ratio

Adjusted leverage ratio requirement, which takes into account the exclusion of certain central bank exposures from the overall leverage exposure.

Assets under management

Investment funds, segregated accounts and insurance products.

Assets Under Custody

Government securities, bonds and shares.

Audit

Audit Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).

Available financial resources (AFR)

AFR are the resources that can be used to safeguard the bank from insolvency. The AFR are an economic measure that consider the potential reserves, hybrid debt instruments, IFRS reserves, goodwill and other intangible assets, treasury shares held and the expected profits.

Bad exposure

Exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether there are any – secured or personal – guarantees covering the exposures).

Banking book

Used in relation to financial instruments, particularly securities, this term identifies the portion of those portfolios intended for "proprietary" activities.

Bail-in

Resolution measures adopted by the competent authorities that can involve the conversion of debt instruments into shares or the reduction in the value of liabilities, imposing losses on certain categories of creditors in accordance with the BRRD.

Glossary

Basel 2

International agreement on the capital requirements of banks in relation to the risks assumed by them. This agreement has been adopted, at national level, by the respective competent supervisory authorities, including the Bank of Italy. The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.

- Pillar 1: while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorisation by the Regulatory Authority;
- Pillar 2: requires banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar I), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Supervisory Authority's task to examine the ICAAP process, formulate an overall judgement and, where necessary, apply the appropriate corrective measures;
- Pillar III: introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

Basel 3

International agreement amending Basel 2 adopted in December 2010, containing amendments to the prudential rules on the capital and liquidity of banks, with the gradual entry into force of the new capital requirements from January 1, 2014 until December 31, 2019. These rules have been implemented at European level through the CRD IV “Package”.

Bank Recovery and Resolution Directive or BRRD

Refers to the Directive approved by the European Parliament and the Council, respectively. On April 15 and May 6, 2014, regarding the establishment of a recovery and resolution framework for the crisis affecting credit institutions and investment firms.

Basis point

The bp or basis point represents 0.01% of a particular amount, or one hundredth of a percentage point. 100 basis points are equivalent to 1%.

Best practice

Behaviour commensurate with the most significant experience and/or the best level of knowledge achieved in relation to a given technical or professional field.

Budget

Statement forecasting the future costs and revenues of a business.

Capital conservation buffer

According to the definition contained in Article 128 of the CRD IV, this is a capital reserve whose establishment is required by the regulations – as also specified in the Supervisory Provisions – aimed at providing banks of a high quality capital buffer to be used in periods of market strain to prevent malfunctions of the banking system and avoid disruptions in the credit granting process, amounting to 2.5% of risk-weighted assets, calculated in accordance with Article 92, sub-section 3, of the CRR on an individual and consolidated basis.

CDS – Credit Default Swap

A derivative in which a seller of protection engages, for a fee, to pay the buyer of protection a fixed amount if a certain event indicating a deterioration of the creditworthiness of a reference entity occurs.

CFO

Chief Financial Officer.

CFD (Contract For Difference)

Derivative financial instruments whose value is directly linked to that of the underlying asset (securities, indices, currencies, bond futures, volatility index futures and commodity futures) and therefore follows its trend. In particular, the CFD provides for the payment of the price differential recorded between the time the contract is opened and the time it is closed.

Glossary

CGU – Cash Generating Unit

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Common Equity Tier 1 or CET 1

The Common Equity Tier 1 under Basel 3, mainly consisting of ordinary paid-up capital, the related share premium, operating profit, reserves and other regulatory adjustments, as provided for by the CRR regulation and the Supervisory Regulations.

Clawback clause

Action of repayment of the bonus received when, after its disbursement, intentional or negligent conduct of the employee emerges that, if it had been known at the time of disbursement, would have been sufficient not to satisfy the assessment of compliance, or that disbursement has been made in breach of legal or regulatory provisions.

CLO

Chief Lending Officer.

Corporate

Customer segment consisting of medium to large businesses.

Cost/income ratio

The ratio of operating expenses to revenues. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

Cost of Risk

The ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the averages of the last four quarters, calculated as the average balance at the end of the quarter and the balance at the end of the previous quarter). The scope only includes loans to commercial customers. It is one of the risk indicators of bank assets: the lower the ratio, the less risky the bank assets.

CoR (incentive system)

The ratio of Net impairment losses of loans with customers in the last 12 months to loans and receivables with customers (average of the balance at period end and the balance at December 31 of the previous year). The scope of the exposures excludes positions deriving from bonds and advances to personal financial advisors.

Countercyclical capital buffer

The countercyclical capital buffer consisting of Common Equity Tier 1 pursuant to Supervisory Regulations, according to the concept contained in Articles 128 and 130 of the CRD IV, equal to the risk weighted assets, calculated in accordance with Article 92, paragraph 3, of the CRR by the Company's countercyclical capital buffer, determined according to the criteria established by the Supervisory Regulations at an amount ranging from 0% to 2.5%.

Covenant

A loan agreement clause whereby the lender is entitled to restructure or call in the loan upon occurrence of the events specified in the clause, which ties changes in the borrower's earnings and financial performance to default events/events modifying the contractual terms and conditions (maturity, interest rates, etc.).

Covered bond

A bond which, in addition to being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, for that purpose, to a specific SPV – Special Purpose Vehicle (q.v.).

Credit Quality – EL

EL%= EL/EAD

Represents the expected loss as a percentage of the exposure in the event of default (EAD) of the performing portfolio.

The perimeter is the customers of the performing portfolio.

Glossary

Credit quality step

A Step, based on external ratings, which is used to assign risk weights under the standardised approach for credit risk.

CRD (Capital Requirements Directives)

EU Directives 2006/48 and 2006/49, adopted by Bank of Italy circular 263/2006 of December 27, 2006 as amended. The CRD IV “Package” has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, adopted by the Bank of Italy circular 285 of December 17, 2013 as amended.

Credit risk

The risk that an unexpected change in the credit rating of a counterparty, the value of the collateral they have provided, or of the amount used in the event of insolvency generates an unexpected change in the lending position of the Bank.

Credit counterparty risk

The risk that the counterparty in a transaction in financial instruments may enter default before settling all the agreed cash flows.

CRM - Credit Risk Mitigation

Credit Risk Mitigation is a set of techniques, ancillary contracts to the loan or other instruments (e.g. securities, guarantees), which reduces credit risk capital requirements.

CRO

Chief Risk Officer.

Default

A party's declared inability to honour its debts and/or the payment of the associated interest.

Direct deposits

Current accounts, repos and time deposits.

EAD – Exposure At Default

Relating to the on-balance and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor’s default. Only banks that meet the requirements for adopting the “IRB – Internal Rating Based” advanced approach are allowed to estimate EAD (q.v.). Other banks are required to refer to regulatory estimations.

EBA European Banking Authority

The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector.

ECA

Export Credit Agency.

ECAI

External Credit Assessment Institution.

ECB

European Central Bank. The ECB is the central bank for Europe's single currency, the euro.

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.

Glossary

EPS – Earnings Per Shares

An indicator of a company's profitability calculated by dividing the net profit by the average total outstanding shares (excluding treasury shares).

EPS – Diluted Earnings Per Shares

An indicator of a company's profitability calculated by dividing the net profit by the average total diluted outstanding shares (excluding treasury shares).

EVA (Economic Value Added)

EVA is an indicator of the value created by a company. It shows the firm's ability to create value; calculated as the difference between net profit excluding extraordinary charges and related tax effects (integration costs and net profits from extraordinary investments), and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital absorbed either using the book value of shareholders' equity (average of single end quarters).

Expected Losses

The losses recorded on average over a one year period on each exposure (or pool of exposures).

Fair value

The price at which an asset can be traded or a liability settled in a free-market transaction between independent parties at arm's length.

Forbearance/Forborne exposures

According to the EBA Implementing Technical Standard, forborne exposures are exposures in respect of which forbearance measures have been extended, consisting of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

Funding

Provision, in various forms, of the funds necessary to finance business activities or particular financial transactions.

Futures

Standardised contracts through which parties undertake to exchange money, transferable securities or goods at a set price at a future date. These contracts are traded on regulated markets, where their execution is guaranteed.

Goodwill

The additional sum paid for the acquisition of an equity interest, equal to the difference between the cost and the corresponding share of net assets, for the portion not attributable to the identifiable assets of the acquired company.

Guided products & services

The Bank's products and/or services developed by investing in UCITs selected from among those distributed for each asset class taking into account customers' different risk profiles and offered to the Bank's customers under the guided open architecture model. At the date of this report, the guided products category included the "Core Series" umbrella fund of funds, "Core Funds", the Individual Savings Plans ("Piani Individuali di Risparmio" or "PIR") and the "Core Unit", "Advice Unit", "Core Multiramo", "Advice Top Valor", "Old Mutual", the funds "FAM Series", "FAM Evolution", "FAM Global Defense" and "Core Pension", "Private Client Insurance" and "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.

Haircut

The difference between the value of the assets pledged as collateral and the amount of credit extended in a collateralised loan transaction. In securities transactions, it represents the percentage of the market price (or nominal value) of a financial asset pledged as collateral that is to be deducted from the market price (or nominal value) in order to determine the collateral value.

Glossary

HNWI

High Net Worth Individual, i.e. Private customers with TFA of over one million euros.

IAS/IFRS

International accounting standards issued by the International Accounting Standard Board (IASB), a private international body established in April 2001, involving representatives of the accounting professions of the principal countries and, as observers, the European Union, IOSCO (International Organization of Securities Commissions) and the Basel Committee. This body is the successor of the International Accounting Standards Committee (IASC), set up in 1973 to promote harmonisation of the rules for the preparation of company accounts. When the IASC became the IASB, it was decided, among other things, to name the new accounting principles "International Financial Reporting Standards" (IFRS). At international level, work is currently underway to harmonise the IAS/IFRS with the US GAAP – United States Generally Accepted Accounting Principles (q.v.).

ICAAP – Internal Capital Adequacy Assessment Process

See "Basel 2 – Pillar 2".

Impairment

Within the framework of the IAS/IFRS (q.v.), this refers to the loss of value of a balance sheet asset, recorded when the book value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset.

Impaired loans

Loans and receivables are reviewed periodically in order to identify those that, following events occurring after initial recognition (at market value, which is, usually, equal to the amount paid including transaction costs and income directly attributable to the disbursement of the credit) show objective evidence of possible impairment. These include a loans to which the status of non-performing, unlikely to pay and past due has been assigned, according to the Bank of Italy rules in line with the IAS/IFRS (q.v.).

Internal Capital

Represents the amount of capital required to cover potential losses and is required to support the business activities and positions held. Internal Capital is the sum of the aggregated Economic Capital and a cushion that considers the effects of the cycle and model risk.

(Internal) validation

Expert unit, internal but sufficiently independent, that verifies the adequacy of internal models for internal and regulatory purposes and issues a formal opinion about their usefulness and effectiveness. Usually a prerequisite for the validation process carried out by the authorities.

Index linked

Policies whose performance at maturity depends on a benchmark parameter that may be a share index, a basket of securities or another indicator.

IRB – Internal Rating Based

Method for determining the capital needed to cover credit risk within the framework of Pillar 1 of Basel 2 (q.v). The rules are applied to the exposures of the banking book. Furthermore, in the IRB methods the risk weightings of the assets are determined on the basis of the bank's own internal evaluations of the debtors (or, in some cases, of the transactions). Using systems based on internal ratings, the banks determine the weighted risk exposure. The IRB methods consist of a basic method and an advanced method, which differ in terms of the risk parameters that the bank must estimate: in the basic method, the banks use their own estimates for “PD – Probability of Default” and the regulatory values for the other risk parameters; in the advanced method, the banks use their own estimates for "PD – Probability of Default ", "LGD – Loss Given Default", "CCF – Credit Conversion Factors" and, where provided for, "M - Maturity" (q.v.). The use of IRB methods for the calculation of capital requirements is subject to authorisation from the Bank of Italy.

IRS – Interest Rate Swap

See "Swap".

Joint venture

Agreement between two or more companies for the conduct of a given economic activity, usually through the constitution of a joint stock company.

Glossary

Ke

The cost of equity is the minimum return on investment required by the shareholder. It is the sum of a risk-free rate and an additional spread remunerating the shareholder for the credit risk and the volatility of the share price. The cost of capital is based on medium-long term averages of market parameters.

KPI - "Key Performance Indicators"

Set of indicators used to evaluate the success of a particular activity or process.

Key Risk Indicators

The risk indicators are quantitative metrics that reflect exposure to Operational Risks of specific processes or products: the value expressed by an indicator should be related to changes in risk levels.

Knock Out Options

Knock out options are derivative contracts belonging to the category of barrier options. They are characterised by the fact that the right to buy or sell ceases to exist when the price of the underlying touches the predetermined Strike (also known as the "Barrier").

Large exposures

The sum of all the exposures towards a counterparty that are equal to or more than 10% of the eligible capital of the Issuer, when: (i) the exposures are the sum of the on-balance-sheet risk assets and the off-balance-sheet operations with a counterparty, as defined by the regulations on credit risk, without applying the weighting factors established therein (these exposures do not include the risk assets deducted in the determination of the Own Funds); (ii) a counterparty is a customer or a group of connected customers.

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.

Mark to Market

The process of valuing a portfolio of securities or other financial instruments on the basis of market prices.

Market risk

Consists of the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the portfolio, when it includes assets held in the trading book, as well as those posted in the banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments.

Glossary

Master servicing agreement

Type of contract under which two or more parties regulate the key terms of subsequent transactions and/or further agreements to be implemented between them in the future.

Maturity Ladder

Instrument for managing and monitoring short-term liquidity (operational liquidity), which, by offsetting assets and liabilities whose maturity falls within each individual time band, enables the identification of mismatches (periodic and cumulative) between incoming and outgoing cash flows and, therefore, to calculate the net financial requirement (or surplus) over the period of the year.

Model Risk Category

The MRCs have been introduced at the group level in order to characterise the types of operational loss in more detail. They are obtained from the combination of the seven event types established by Basel II with one or more of products offered to customers.

NAV - Net Asset Value

This is the value of the unit into which the assets of a mutual fund are divided.

Non-performing exposures

According to the EBA Implementing Technical Standards, non-performing exposures are all on-balance-sheet and off-balance-sheet exposures that satisfy either or both of the following criteria:

- 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.

Sensitivity

The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

Glossary

Sensitivity Analysis

Sensitivity analysis quantifies the change in value of a financial portfolio resulting from an unfavourable change in major risk factors (interest rate, exchange rate, equity).

Significant increase in credit risk ("SICR")

Criterion used to check the transition between stages. If the credit risk of the financial instrument is significantly increased after initial recognition, adjustments are equal to the expected losses over the life of the instrument (lifetime ECL).

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.

Spread

This term is normally used to denote the difference between two interest rates, the spread between bid and offer prices in securities trading or the premium that the issuer of securities pays in addition to a reference rate.

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.).

TLTRO - Targeted Longer-Term Refinancing Operations

Targeted Longer-Term Refinancing Operations (TLTRO) are programmes that provide euro area credit institutions with funding with longer maturities aimed at improving the functioning of the monetary policy transmission mechanism by supporting the provision of bank credit to the real economy.

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.