CONSOLIDATED FIRST HALF FINANCIAL REPORT AS AT JUNE 30, 2023

FINECO

# Consolidated Fist Half Financial Report

# as at June 30, 2023

# Contents

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

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

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

**Registered office**

Piazza Durante 11, 20131 Milan, Italy

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

# Introduction to the Consolidated First Half Financial Report

This Consolidated first half financial report as at June 30th, 2023 of FinecoBank Group (hereinafter Group) has been prepared in accordance with Article 154-ter, paragraph 2 of Legislative Decree No.58 of February 24th, 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 19th, 2002 and applicable to financial reports for the periods starting on January 1st, 2023. 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 Consolidated 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 2022. As envisaged by IAS 34, the balance sheet figures have been compared with those as at December 31st, 2022, 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 30th, 2022;

- the **Notes to the Accounts**, which in addition to the detailed information required by IAS 34, reported using the same tables as in the annual financial statements 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 2023. 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 Annexes (in line with Consob Communication No.6064293 of July 28th, 2006), and also other Alternative Performance Measures ("APMs") are used, the explanatory description of which regarding the content and, if applicable, the calculation methods used are shown in the Glossary (in line with the guidelines published on October 5th, 2015 by the European Securities and Markets Authority (ESMA/2015/1415);

- the **Certification of the Consolidated condensed half-year financial statements pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14th, 1999 and subsequent amendments.**

Any lack of correspondence between the figures shown in the Consolidated 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 Consolidated Interim Financial Statements as at June 30st, 2023 were prepared by referring to the instructions on the financial statements of the banks pursuant to Circular 262 of December 22nd, 2005 "Banking financial statements: schedules and rules compilation" and subsequent updates of the Bank of Italy.

# Summary data

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

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

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

On April 18th, 2023, S&P Global Ratings agency confirmed the rating assigned to Fineco: "BBB" long-term with a stable outlook and "A-2" short-term.

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 and, for the third year in a row, Standard Ethics confirmed "EE+" rating positioning the Bank among the credit institutions with the strongest sustainability rating currently assigned in the banking sector.

In addition, FinecoBank is included in the MIB ESG Index di Euronext, the FTSE4Good Sustainability Index, the Bloomberg Gender Equality Index (GEI) 2023, the S&P Global 1200 ESG Index. Fineco holds the following scores assigned by leading ESG rating agencies:

- Sustainalytics: Fineco's *ESG risk rating* of 13.2 (*Low risk*), confirming its ranking among the best banks at international level;
- S&P's Corporate Sustainability Assessment: *score* of 69 points out of 100;
- MSCI: *ESG rating* of "AA" (*leader*) in the "*diversified financials*" sector;
- Moody's Analytics: *ESG overall score* of 57 points out of 100 (*robust performance*);
- Refinitiv: score of 85 out of 100, meaning excellent ESG performance and a high degree of transparency in public sustainability reporting;
- CDP Climate Change: rating of "B" obtained by first filling out the questionnaire, demonstrating that it addresses the environmental impacts of its activities and ensures good environmental management.

The results for the first half of the year confirm the Group's healthy and well-balanced development, together with its ability to intercept customers' needs at all stages of the market, even the most complex ones, and are the result of a strong push towards investments by customers themselves, the growing interest in the Bank's platforms, a greater demand for advice and the success of the initiatives implemented during the period. Contributing to the Group's strong growth was the acceleration of Investing, thanks to Fineco AM, which is increasingly focused on a strategy aimed at satisfying even the most sophisticated financial needs of customers. During the first half of 2023, the Group continued to innovate and renew its range of products and services, while remaining faithful to the principles of transparency, efficiency and sustainability.

**Net sales** came to € 5,204 million during the first half 2023, surpassing the € 5 billion mark for the third consecutive year in the first half of the year, confirming the acceleration of the Bank's growth path thanks to both the acquisition of new customers and the solid drive towards investments. In particular, the net sales of assets under management came to € 1,946 and the net sales of assets under custody came to € 5,317 million, while direct deposits decreased by € 2,060 million, as a result of customers investing excess liquidity in government bonds and asset management products. Fineco AM's ratio, calculated by comparing the company's net retail inflows to net managed inflows, is 122.1% (80.7% in the first half of 2022). This is a result that confirms, on the one hand, the effectiveness of a business model capable of coping with difficult market phases and, on the other hand, an ever-increasing appetite for investment on a particularly advanced clientele. During the first half 2023, net sales through the network of Personal Financial Advisors totalled € 4,274 million.

As at June 30th, 2023, the balance of **Total Financial Assets** from customers stood at € 115,881 million. Fineco AM's managed assets totaled € 29,238 million, of which € 18,635 billion are related to retail classes and € 10,603 million are related to institutional classes. This result highlights the ongoing acceleration in the company's growth process. Fineco AM's ratio, calculated by relating the company's retail assets to the balance of assets under management, is 33.4%. As at June 30th, 2023 the balance of direct and indirect inflows of Financial Advisors is € 101,063 million.

The balance of direct and indirect inflows related to Private clients, i.e. with assets above € 500,000, totaled € 51,614 million, equals to 44.5% of Total Financial Assets (TFA) of the Group.

Credit quality remains high, driven by the principle of offering credit exclusively to existing customers, making use of specialist tools to analyse the bank's vast information base. The cost of risk, at 5 bps, remains low structurally contained. During the first half of 2023, € 111 million in personal loans, € 94 million in mortgages were granted, and € 651 million in current account overdrafts was arranged, of which € 641 million were guaranteed. As at June 30th, 2023, net impaired loans were 0.09% of loans to ordinary customers (0.06% as at December 31st, 2022).

The **total number of customers** as at June 30th, 2023 was 1,523,777 up to 2.5% compared to December 31st, 2022. Customers continue to reward Fineco's transparent approach, high quality and comprehensive range of financial services as represented through the "one-stop solution" concept.

The first half results confirm the sustainability and strength of the business model, which is capable of generating profits in all market conditions. The **net profit for the period** amounted to € 308.9 million, with an increase of 38.9% on the first half of the previous year (+38.8% excluding the non-

# Summary data

recurring items booked in the first half of 2022[1]). The cost/income ratio amounted to 24.1% (29.3% as at June 30th, 2022), thanks to growth in revenues, 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 about 4,170 products, including mutual funds and SICAV sub-funds managed by 72 leading Italian and international investment firms, insurance and pension products, as well as investment advisory services through a network of 2,952 personal financial advisors (Italy's third largest network).

## Condensed financial statements and indicators

The Interim Consolidated Management Report presents and illustrates the reclassified income statement and balance sheet (Alternative Performance Indicators "APIs"), the reconciliation of which with the consolidated financial statements is shown in the Annexes "Reconciliation of condensed consolidated accounts to mandatory reporting schedule" (in line with Consob Communication No.6064293 of July 28th, 2006); in addition, other APMs are also used, the content and, where applicable, the calculation methods used of which are described in the Glossary (in line with the guidelines published on October 5th, 2015 by the European Securities and Markets Authority (ESMA/2015/1415)).

With reference to APIs, the European Securities and Markets Authority (ESMA) has issued specific guidelines[2] on the criteria for their presentation in regulated information, including therefore the Consolidated Half-Year Financial Report, when such indicators are not defined or provided for in the financial reporting framework. These guidelines are intended to promote the usefulness and transparency of APIs, and compliance with them will improve the comparability, reliability and understandability of APIs, with consequent benefits for users of financial information. Consob has transposed the Guidelines in Italy and incorporated them into its own supervisory practices[3]. According to the definition of the ESMA Guidelines, an API is an indicator of historical or future financial performance, financial position or cash flows that is different from a financial indicator defined or specified in applicable financial reporting frameworks and is usually derived from financial statement items prepared in accordance with applicable financial reporting frameworks. Indicators published in accordance with prudential requirements are not strictly speaking part of the definition of an APIs.

[1] Fair value change and Cancellation of exposure in equity securities to the Voluntary Scheme established by the Interbank Deposit Protection Fund in the amount of € -0.2 million (net of tax effect).
[2] ESMA/2015/1415.
[3] Consob Communication No. 0092543 of December 3rd, 2015.

# Summary data

## Condensed Accounts

### Consolidated balance sheet

(Amounts in € thousand)

| ASSETS | Amounts as at 06/30/2023 | Amounts as at 12/31/2022 | Changes Amounts | Changes % |
|---|---|---|---|---|
| Cash and cash balances | 1,518,628 | 1,469,713 | 48,915 | 3.3% |
| Financial assets held for trading | 16,868 | 16,926 | (58) | -0.3% |
| Loans and receivables to banks | 415,627 | 426,696 | (11,069) | -2.6% |
| Loans and receivables to customers | 6,184,498 | 6,445,713 | (261,215) | -4.1% |
| Financial investments | 22,613,241 | 24,634,034 | (2,020,793) | -8.2% |
| Hedging instruments | 1,028,822 | 1,424,704 | (395,882) | -27.8% |
| Property, plant and equipment | 143,799 | 146,208 | (2,409) | -1.6% |
| Goodwill | 89,602 | 89,602 | - | n.a. |
| Other intangible assets | 35,788 | 36,787 | (999) | -2.7% |
| Tax assets | 46,100 | 46,577 | (477) | -1.0% |
| Tax credits acquired | 1,341,774 | 1,093,255 | 248,519 | 22.7% |
| Other assets | 381,175 | 438,670 | (57,495) | -13.1% |
| **Total assets** | **33,815,922** | **36,268,885** | **(2,452,963)** | **-6.8%** |

(Amounts in € thousand)

| LIABILITIES AND SHAREHOLDERS' EQUITY | Amounts as at 06/30/2023 | Amounts as at 12/31/2022 | Changes Amounts | Changes % |
|---|---|---|---|---|
| Deposits from banks | 1,299,539 | 1,677,235 | (377,696) | -22.5% |
| Deposits from customers | 29,187,761 | 31,695,647 | (2,507,886) | -7.9% |
| Debt securities in issue | 803,054 | 497,926 | 305,128 | 61.3% |
| Financial liabilities held for trading | 8,538 | 4,574 | 3,964 | 86.7% |
| Hedging instruments | (13,438) | (3,180) | (10,258) | n.a. |
| Tax liabilities | 65,017 | 42,627 | 22,390 | 52.5% |
| Other liabilities | 553,994 | 443,659 | 110,335 | 24.9% |
| Shareholders' equity | 1,911,457 | 1,910,397 | 1,060 | 0.1% |
| *- capital and reserves* | *1,601,514* | *1,479,771* | *121,743* | 8.2% |
| *- revaluation reserves* | *1,063* | *2,121* | *(1,058)* | -49.9% |
| *- net profit* | *308,880* | *428,505* | *(119,625)* | -27.9% |
| **Total liabilities and Shareholders' equity** | **33,815,922** | **36,268,885** | **(2,452,963)** | **-6.8%** |

# Summary data

## Consolidated balance sheet - Quarterly data

(Amounts in € thousand)

| | Amounts as at | | | | |
|---|---|---|---|---|---|
| ASSETS | 06/30/2023 | 03/31/2023 | 12/31/2022 | 09/30/2022 | 06/30/2022 |
| Cash and cash balances | 1,518,628 | 1,414,068 | 1,469,713 | 1,681,556 | 1,542,372 |
| Financial assets held for trading | 16,868 | 15,730 | 16,926 | 22,285 | 20,020 |
| Loans and receivables to banks | 415,627 | 445,895 | 426,696 | 458,028 | 400,215 |
| Loans and receivables to customers | 6,184,498 | 6,311,901 | 6,445,713 | 6,318,315 | 6,310,789 |
| Financial investments | 22,613,241 | 24,350,662 | 24,634,034 | 25,068,513 | 25,294,566 |
| Hedging instruments | 1,028,822 | 1,300,265 | 1,424,704 | 1,390,127 | 948,764 |
| Property, plant and equipment | 143,799 | 142,637 | 146,208 | 143,333 | 146,686 |
| Goodwill | 89,602 | 89,602 | 89,602 | 89,602 | 89,602 |
| Other intangible assets | 35,788 | 35,875 | 36,787 | 36,601 | 37,525 |
| Tax assets | 46,100 | 46,987 | 46,577 | 58,048 | 44,681 |
| Tax credits acquired | 1,341,774 | 1,313,546 | 1,093,255 | 902,259 | 827,217 |
| Other assets | 381,175 | 413,399 | 438,670 | 382,040 | 415,278 |
| **Total assets** | **33,815,922** | **35,880,567** | **36,268,885** | **36,550,707** | **36,077,715** |

(Amounts in € thousand)

| | Amounts as at | | | | |
|---|---|---|---|---|---|
| LIABILITIES AND SHAREHOLDERS' EQUITY | 06/30/2023 | 03/31/2023 | 12/31/2022 | 09/30/2022 | 06/30/2022 |
| Deposits from banks | 1,299,539 | 1,605,506 | 1,677,235 | 2,791,259 | 2,333,322 |
| Deposits from customers | 29,187,761 | 30,877,798 | 31,695,647 | 30,945,493 | 30,827,605 |
| Debt securities in issue | 803,054 | 798,748 | 497,926 | 499,629 | 498,833 |
| Financial liabilities held for trading | 8,538 | 7,208 | 4,574 | 8,976 | 7,104 |
| Hedging instruments | (13,438) | (7,885) | (3,180) | (3,584) | 2,581 |
| Tax liabilities | 65,017 | 105,386 | 42,627 | 82,923 | 118,430 |
| Other liabilities | 553,994 | 435,390 | 443,659 | 432,744 | 580,560 |
| Shareholders' equity | 1,911,457 | 2,058,416 | 1,910,397 | 1,793,267 | 1,709,280 |
| *- capital and reserves* | *1,601,514* | *1,909,094* | *1,479,771* | *1,488,223* | *1,487,091* |
| *- revaluation reserves* | *1,063* | *2,070* | *2,121* | *2,651* | *(174)* |
| *- net profit* | *308,880* | *147,252* | *428,505* | *302,393* | *222,363* |
| **Total liabilities and Shareholders' equity** | **33,815,922** | **35,880,567** | **36,268,885** | **36,550,707** | **36,077,715** |

# Summary data

## Consolidated Income Statement

(Amounts in € thousand)

| | 1st half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Amounts | % |
| Financial margin | 328,278 | 176,407 | 151,871 | 86.1% |
| of which Net interest | 328,196 | 126,961 | 201,235 | 158.5% |
| of which Profits from Treasury | 82 | 49,446 | (49,364) | -99.8% |
| Dividends and other income from equity investments | (6) | (148) | 142 | -95.9% |
| Net fee and commission income | 242,125 | 232,514 | 9,611 | 4.1% |
| Net trading, hedging and fair value income | 30,079 | 54,843 | (24,764) | -45.2% |
| Net other expenses/income | 216 | 416 | (200) | -48.1% |
| **REVENUES** | **600,692** | **464,032** | **136,660** | **29.5%** |
| Staff expenses | (60,378) | (57,538) | (2,840) | 4.9% |
| Other administrative expenses | (147,357) | (134,364) | (12,993) | 9.7% |
| Recovery of expenses | 76,457 | 69,063 | 7,394 | 10.7% |
| Impairment/write-backs on intangible and tangible assets | (13,237) | (13,191) | (46) | 0.3% |
| **Operating costs** | **(144,515)** | **(136,030)** | **(8,485)** | **6.2%** |
| **OPERATING PROFIT (LOSS)** | **456,177** | **328,002** | **128,175** | **39.1%** |
| Net impairment losses on loans and provisions for guarantees and commitments | (2,079) | (1,225) | (854) | 69.7% |
| **NET OPERATING PROFIT (LOSS)** | **454,098** | **326,777** | **127,321** | **39.0%** |
| Other charges and provisions | (12,006) | (12,498) | 492 | -3.9% |
| Net income from investments | (581) | (754) | 173 | -22.9% |
| **PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **441,511** | **313,525** | **127,986** | **40.8%** |
| Income tax for the period | (132,631) | (91,162) | (41,469) | 45.5% |
| **NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS** | **308,880** | **222,363** | **86,517** | **38.9%** |
| **PROFIT (LOSS) FOR THE PERIOD** | **308,880** | **222,363** | **86,517** | **38.9%** |
| **NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE GROUP** | **308,880** | **222,363** | **86,517** | **38.9%** |

# Summary data

## Consolidated Income Statement - Quarterly data

(Amounts in € thousand)

| | 2023 | |
|---|---|---|
| | 1st Quarter | 2nd Quarter |
| Financial margin | 157,431 | 170,847 |
| of which Net interest | 157,431 | 170,765 |
| of which Profits from Treasury | - | 82 |
| Dividends and other income from equity investments | - | (6) |
| Net fee and commission income | 120,871 | 121,254 |
| Net trading, hedging and fair value income | 15,123 | 14,956 |
| Net other expenses/income | 235 | (19) |
| **REVENUES** | **293,660** | **307,032** |
| Staff expenses | (29,795) | (30,583) |
| Other administrative expenses | (74,630) | (72,727) |
| Recovery of expenses | 37,625 | 38,832 |
| Impairment/write-backs on intangible and tangible assets | (6,587) | (6,650) |
| **Operating costs** | **(73,387)** | **(71,128)** |
| **OPERATING PROFIT (LOSS)** | **220,273** | **235,904** |
| Net impairment losses on loans and provisions for guarantees and commitments | (664) | (1,415) |
| **NET OPERATING PROFIT (LOSS)** | **219,609** | **234,489** |
| Other charges and provisions | (9,269) | (2,737) |
| Net income from investments | (723) | 142 |
| **PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **209,617** | **231,894** |
| Income tax for the period | (62,365) | (70,266) |
| **NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS** | **147,252** | **161,628** |
| **PROFIT (LOSS) FOR THE PERIOD** | **147,252** | **161,628** |
| **NET PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO THE GROUP** | **147,252** | **161,628** |

# Summary data

(Amounts in € thousand)

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

# Summary data

## Main balance sheet figures

(Amounts in € thousand)

| | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amounts | % |
| Loans receivable to ordinary customers [1] | 5,745,024 | 5,916,090 | (171,066) | -2.9% |
| Total assets | 33,815,922 | 36,268,885 | (2,452,963) | -6.8% |
| Direct deposits [2] | 28,510,165 | 30,569,876 | (2,059,711) | -6.7% |
| Assets under administration [3] | 87,370,402 | 75,987,994 | 11,382,408 | 15.0% |
| Total customers sales (direct and indirect) | 115,880,567 | 106,557,870 | 9,322,697 | 8.7% |
| Shareholders' equity | 1,911,457 | 1,910,397 | 1,060 | 0.1% |

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

## Operating structure

| | Data as at | | |
|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | 06/30/2022 |
| No. Employees | 1,354 | 1,336 | 1,316 |
| No. Personal financial advisors | 2,952 | 2,918 | 2,887 |
| No. Financial shops [1] | 425 | 426 | 423 |

(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 | | |
|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | 06/30/2022 |
| Financial margin/Revenues | 54.65% | 41.39% | 38.00% |
| Income from brokerage and other income/Revenues | 45.35% | 58.64% | 62.00% |
| Income from brokerage and other income/Operating costs | 188.51% | 197.88% | 211.55% |
| Cost/income ratio | 24.06% | 29.63% | 29.31% |
| Operating costs/TFA | 0.26% | 0.26% | 0.26% |
| Cost of risk | 5 bp | 4 bp | 2 bp |
| CoR (incentive system) | 5 bp | 4 bp | 2 bp |
| ROE | 32.35% | 23.54% | 25.84% |
| Return on assets | 1.83% | 1.18% | 1.23% |
| EVA (calculated on allocated capital) | 271,973 | 367,339 | 192,039 |
| EVA (calculated on accounting capital) | 200,616 | 264,529 | 140,903 |
| RARORAC (calculated on allocated capital) | 80.40% | 55.10% | 57.76% |
| RARORAC (calculated on accounting capital) | 20.22% | 14.75% | 15.78% |
| ROAC (calculated on allocated capital) | 91.31% | 64.28% | 66.88% |
| ROAC (calculated on accounting capital) | 31.13% | 23.89% | 24.90% |
| Total sales to customers/Average employees | 86,125 | 80,695 | 78,447 |
| Total customer sales/(Average employees + average PFAs) | 27,072 | 25,526 | 24,778 |

**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 30th, 2023 and the balance as at the previous December 31st.

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

CoR (incentive system): is the ratio of Net impairment losses of loans to customers in the last 12 months, including adjustments to the available margins of credit lines granted, to loans and receivables to customers (average of the balance as at June 30th, 2023 and the balance at December 31st of the previous year). The scope only includes loans to ordinary customers.

ROE: ratio between the net profit and the average book shareholders' equity (excluding 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 31st of previous year). The result for the period as of June 30th, 2023 and June 30th, 2022 has been annualized. The ROE ratio published in the 2022 financial disclosure had been calculated by excluding dividends for which distribution was planned from the book equity, therefore, the comparative figure for 2022 was restated and re-presented.

Return on assets: ROA: ratio of net profit after tax to total assets. The result for the period as of June 30th, 2023 and June 30th, 2022 has been annualized.

EVA (Economic Value Added): shows the firm's ability to create value; calculated as the difference between net profit, excluding extraordinary net income from investments with related tax effects, and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital[4] 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 June 30th, 2023, the economic capital as at June 30th, 2023 is kept the same as at March 31st, 2023, the latest available figure.

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

# Summary data

## Balance Sheet indicators

| | Data as at | |
|---|---|---|
| | 06/30/2023 | 12/31/2022 |
| Loans receivable to ordinary customers/Total assets | 16.99% | 16.31% |
| Loans and receivables to banks/Total assets | 1.23% | 1.18% |
| Financial assets/Total assets | 66.87% | 67.92% |
| Direct sales/Total liabilities and Shareholders' equity | 84.31% | 84.29% |
| Shareholders' equity (including profit)/Total liabilities and Shareholders' equity | 5.65% | 5.27% |
| Ordinary customer loans/Direct deposits | 20.15% | 19.35% |

| Credit quality | Data as at | |
|---|---|---|
| | 06/30/2023 | 12/31/2022 |
| Non-performing loans/Loans receivable to ordinary customers | 0.09% | 0.06% |
| Bad loans/Loans receivable to ordinary customers | 0.03% | 0.02% |
| Coverage ratio[1] - Bad loans | 91.29% | 92.65% |
| Coverage ratio[1] - Unlikely to pay | 68.32% | 68.13% |
| Coverage ratio[1] - Impaired past-due exposures | 46.13% | 57.92% |
| Coverage ratio[1] - Total Non-performing loans | 79.48% | 86.02% |

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

## The macroeconomic scenario and monetary policy

In early 2023, the global economy showed greater strength than at the end of 2022, thanks to the reopening of the Chinese economy and the resilience of US labour markets. The difficulties in the US banking sector in early March spilled over to global financial markets, but since then, most asset prices have recovered from their losses during the period.

At the same time, financial market participants revised downwards their expectations on the future course of the Federal Reserve System's tightening of monetary policy. Nevertheless, continued uncertainty adds to the adverse growth environment worldwide, including high inflation, tightening financial conditions on an international scale and geopolitical tensions. Against this backdrop, the global inflation and growth outlook incorporated in the Eurosystem's expert projections of June 2023 remains broadly unchanged from the macroeconomic projections for the Euro area in March 2023.

Inflation is declining but is expected to remain high for a prolonged period of time, therefore, the Governing Council of the European Central Bank is determined to ensure a timely return of inflation to the 2% target in the medium term. To this end, at its meeting of July 27th, 2023, the European Central Bank decided to increase the ECB's three key interest rates by an additional 25 basis point - interest rate on main refinancing operations, interest rate on marginal lending operations and interest rate on deposits with the central bank – to 4.25%, 4.50% and 3.75% respectively, with effect from August 2nd, 2023. The rate increase reflects the Governing Council's updated assessment of the inflation outlook, the dynamics of core inflation and the intensity of monetary policy transmission. At the same meeting, the Council decided not to remunerate (0% rate), as of September 20th, 2023, the minimum reserve requirements that banks must hold at the ECB, a decision taken to preserve the effectiveness of monetary policy. Based on the macroeconomic projections made in June 2023 by Eurosystem experts for the Euro area, headline inflation is expected to average 5.4% in 2023, 3.0% in 2024 and 2.2% in 2025.

At the same time, the past interest rate hikes decided by the Governing Council are strongly transmitting to financing conditions and are gradually affecting the whole economy. Borrowing costs have risen sharply and loan growth is slowing down.

The Governing Council also confirmed that it will end reinvestments under the asset purchase programme as of July 2023.

# Summary data

As regards the pandemic emergency purchase programme (PEPP), the Governing Council intends to reinvest the principal repaid on maturing securities under the programme at least until the end of 2024. In any case, the future reduction of the PEPP portfolio will be managed so as to avoid interference with the appropriate monetary policy stance.

## The Russian-Ukrainian conflict

As at June 30th, 2023, the context resulting from the Russia-Ukraine conflict in which the Group operates is substantially unchanged from that illustrated in the Annual Report as at December 31st, 2022.

In fact, the Group has no direct exposure to Russian assets affected by the conflict, and indirect exposures, represented by collateral received as part of pledge-backed financing transactions (Credit Lombard and pledged overdraft), are of insignificant amounts. The Group has no direct commodity exposures and has limited ruble exposure. With reference to: (i) obligations to freeze funds with respect to sanctioned persons and entities, (ii) restrictions on the buying and selling of certain securities because they are issued by or related to sanctioned issuers, (iii) restrictions on financial flows to and from Russia, both in terms of prohibiting credit exposure to sanctioned entities and in terms of prohibiting the acceptance of deposits from Russian nationals or individuals or legal entities residing in Russia subject to specific exceptions, (iv) to the obligations to report to the relevant authorities, the Group uses safeguards to monitor the names of sanctioned individuals and entities and the ISINs of sanctioned financial instruments, which are necessary to initiate the consequent asset freezing activities required by the regulations. As of June 30, 2023, there were no direct or indirect exposures to individuals or entities subject to sanction measures applicable to the Group, so no asset freezing actions required by the regulations have been implemented on the individuals concerned. Finally, the Group constantly monitors the evolution of the regulatory framework of reference through information tools that enable the timely updating of the sanctions framework applicable to the Bank and the appropriate adjustment of the safeguards in place.

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

# Summary data

## Events during the period

### *Issuance of a Senior Preferred bond*

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

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

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

### *Shareholders' Meeting*

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

In the ordinary session, the resolutions concerned:

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

At the extraordinary session, the resolutions concerned:

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

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

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

# Summary data

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

### *Operation aimed at the protection of Eurovita policy holders*

On June 30th, 2023, on the initiative of the Ministry of Economy and Finance, Ministry of Enterprises and Made in Italy, and with the collaboration of the Supervisory Committee and the Extraordinary Commissioner of Eurovita, an agreement has been reached among 25 banks distribuiting Eurovita policies, FinecoBank included, the five main Italian insurance companies (Allianz Italia, Intesa Sanpaolo Vita, Generali Italia, Poste Vita and Unipol SAI) and some of the main Italian banks (Banca Monte dei Paschi di Siena, BPER, Banco BPM, Credit Agricole, Intesa Sanpaolo and Mediobanca), for an operation aimed at the protection of Eurovita policy holders.

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

Distributor banks, in addition to providing an update on the progress of the negotiations, will then communicate to customers which insurance company becomes the new counterparty, and will support them for any need.

The parties are committed to conclude as soon as possible the operation, subject to the necessary sharing and implementation of all requisite contractual instruments and obtaining the mandatory legal authorizations, therefore, no accounting effect was recognised in the Consolidated Interim Financial Statements as at June 30th, 2023.

### *2023 EU-Wide Stress test*

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

On July 28th, 2023 the EU-wide stress test results have been published. The results of the stress test exercise confirm FinecoBank's solid capital position: the impact on capital adequacy ratios, lower than 300 bps in the adverse scenario, places the Group among the top three Italian banks and among the best European banks. The results of the 2023 EU-wide stress test will be used by the competent authorities in the assessment of FinecoBank's ability to meet applicable prudential requirements under stressed scenarios, in the context of the Supervisory Review and Evaluation Process (SREP).

# Summary data

## Consolidated Own funds and capital ratios

| | Data as at | |
|---|---|---|
| | 06/30/2023 | 12/31/2022 |
| Common Equity Tier 1 Capital (€ thousand) | 1,070,245 | 987,099 |
| Total Own Funds (€ thousand) | 1,570,245 | 1,487,099 |
| Total risk-weighted assets (€ thousand) | 4,612,719 | 4,740,149 |
| Ratio - Common Equity Tier 1 Capital | 23.20% | 20.82% |
| Ratio - Tier 1 Capital | 34.04% | 31.37% |
| Ratio - Total Own Funds | 34.04% | 31.37% |

| | Data as at | |
|---|---|---|
| | 06/30/2023 | 12/31/2022 |
| Tier 1 Capital (€ thousand) | 1,570,245 | 1,487,099 |
| Exposure for leverage (€ thousand) | 33,556,310 | 36,857,107 |
| Leverage ratio | 4.68% | 4.03% |

The Group's prudential requirements as at June 30th, 2023 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26th, 2013 and subsequent Directives/Regulations amending their content, in particular Directive (EU) 878/2019 (CRD V), Regulation (EU) 876/2019 (CRR II) and Regulation (EU) 873/2020 of the European Parliament and of the Council (CRR Quick-fix), which transpose into the European Union the standards defined by the Basel Committee on Banking Supervision (Basel III framework), collected and implemented by the Bank of Italy through Circular No. 285 of December 17th, 2013 "Supervisory Provisions for Banks" and subsequent updates.

As at June 30th, 2023 the Consolidated Own funds amounted to € 1,570.2 million and consisted of Common Equity Tier 1 (CET 1) and Additional Tier 1 capital; there were no Tier 2 instruments. The interim profits included in Common Equity Tier 1 Capital at June 30th, 2023 were calculated considering foreseeable dividends in the amount of € 216.2 million and foreseeable charges of € 1.7 million, represented by the coupons, net of the related taxation, accrued on the Additional Tier 1 financial instruments issued by FinecoBank, assuming that the conditions provided for in Art. 26 (2), of EU Regulation 575/2013 (CRR) are met.

The decrease in Risk-Weighted Assets in the first half of 2023 is mainly driven by credit risk, in particular lending to customers and the decrease in counterparty credit risk related to the reduction of securities lending transactions carried out by the Parent Company' Treasury.

With reference to the capital requirements applicable to FinecoBank Group, it should be noted that, further to the Supervisory Review and Evaluation Process (SREP), the European Central Bank communicated on December 14th, 2022 the following capital requirements applicable to FinecoBank Group starting from January 1st, 2023:

These requirements are:

- 8.04% of Common Equity Tier 1 ratio, including the Pillar II Requirement (P2R) equal to 0.98%;
- 9.87% of Tier 1 Ratio, including the P2R equal to 1.31%;
- 12.31% of Total Capital Ratio including the P2R equal to 1.75%.

# Summary data

The following is a summary of the capital requirements and reserves for the FinecoBank Group as at June 30th, 2023.

| Requirements | CET1 | T1 | TOTAL CAPITAL |
|---|---|---|---|
| A) Pillar 1 requirements | 4.50% | 6.00% | 8.00% |
| B) Pillar 2 requirements | 0.98% | 1.31% | 1.75% |
| **C) TSCR (A+B)** | **5.48%** | **7.31%** | **9.75%** |
| D) Combined Buffer requirement, of which: | 2.56% | 2.56% | 2.56% |
| 1. Capital Conservation Buffer (CCB) | 2.50% | 2.50% | 2.50% |
| 2. Institution-specific Countercyclical Capital Buffer (CCyB) | 0.06% | 0.06% | 0.06% |
| **E) Overall Capital Requirement (C+D)** | **8.04%** | **9.87%** | **12.31%** |

As at June 30th, 2023, Group ratios are compliant with all the above requirements.

As at June 30th, 2023, the Leverage ratio stands at 4.68%, increasing from 4.03% as at December, 31st, 2022 thanks to the reduction in total exposures, mainly determined by lower assets on the balance sheet, also as a result of a reduction in direct funding from customers, and to interim profits recognised in Tier 1 Capital.

Furthermore, it should be noted that at the end of the administrative process related to the determination of the Minimum Requirement of Own Funds and Eligible Liabilities (MREL), in March 2023 FinecoBank received from the Bank of Italy and the Single Resolution Board the updated decision on the determination of the MREL, which replaces the previous decision communicated to the public in August 2021. Starting from 1 January 2024, FinecoBank shall comply, on a consolidated basis, with an MREL requirement equal to 18.91% of TREA (Total Risk Exposure Amount) - 21.47% inclusive of the Combined Buffer Requirement as at June 30th, 2023 - and equal to 5.25% of LRE (Leverage Ratio Exposure), ensuring a linear build-up of own funds and eligible liabilities towards the requirements. For the purpose of compliance with the requirement and the computation of other eligible liabilities issued by Fineco, there is no subordination requirement in the issuance of eligible MREL instruments (e.g. senior unsecured) at the current stage. As at June 30th, 2023, FinecoBank is above the requirements to be met from January 1st, 2024.

With respect to the initiatives put in place in 2020, which are still in force, please also note Regulation (EU) 2020/873 ("CRR "Quick-fix") of the EU Parliament and Council published on June 26th, 2020 which updates the Regulation (EU) 575/2013 ("CRR") and the Regulation (EU 876/2019 ("CRR II"), introducing certain adjustments to the prudential regulatory framework in response to the COVID-19 pandemic, allowing the credit institutions to apply specific transitional arrangements with the aim to support institution in their role in financing the real economy in the context of COVID-19 pandemic. This Regulation also anticipated the application of some measures contained in CRR II, which are therefore valid until the latter comes into force starting from June 28th, 2021. Among the main measures, still in force, is the postponement until December 31st, 2024 of the transitional arrangements which bring relief on CET1 from the impact of the higher expected credit loss provisions calculated according to the IFRS 9 impairment model, phasing in this impact in CET1 ("Temporary treatment for mitigating impact of the introduction of IFRS 9 on own funds"). Provision is made for banks that had previously decided to make use or not to make use of the transitional arrangements to be able to reverse their decision at any time during the transitional period. The Group decided not to make use of the temporary treatment as at June 30th, 2023.

For further details on the composition of own funds, changes during the period with reference to Risk-weighted Assets and Exposure for leverage purposes, please refer to the information contained in the document "Public disclosure of the FinecoBank Group - Pillar III as at 30 June 2023" published on the Company's website (https://about.finecobank.com).

# Business performance

## Performance of total financial assets

Despite a particularly complex market phase, the solidity of the Group's growth path enabled it to achieve extremely robust funding results in the first half of 2023. This is a result that confirms, on the one hand, the effectiveness of a business model capable of coping with difficult market phases, and on the other, an ever-increasing propensity to invest on the part of a particularly evolved clientele. Indeed, customers appreciate the support of financial advisors for qualified advice, but also the efficiency of an integrated transactional platform.

As at June 30th, 2023 the balance of total financial assets (direct and indirect) amounted to € 115,881 million up 8.7% compared to December 31st, 2022, thanks to Assets under Custody-AUC and Assets under Management-AUM during the period, partially offset by a decrease in direct inflows due to investments in government bonds and asset management products made by customers with excess liquidity. The balance of indirect total financial assets (Assets Under Management-AUM and Assets Under Custody-AUC) amounted to € 87,370 million, up from € 75,988 million as at December 31st, 2022 (+15%).

Total financial assets amounted to € 5,204 million in the first half of 2023, reduced compared to the first half of 2022, but with an important increase in terms of AUM and AUC, which amounted to € 7,264 million (+57.5%).

The balance of direct customer deposits amounted to € 28,510 million. It's driven by the high appreciation degree of the quality of services offered by the Group – indeed the preponderant amount of direct deposits is of a "transactional" nature, supporting the overall operations of customers.

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

### Total financial assets

(Amounts in € thousand)

| | Amounts as at | | Amounts as at | | Changes | |
|---|---|---|---|---|---|---|
| | 06/30/2023 | Comp% | 12/31/2022 | Comp% | Absolute | % |
| Current accounts and demand deposits | 28,510,165 | 24.6% | 30,569,876 | 28.7% | (2,059,711) | -6.7% |
| **DIRECT DEPOSITS** | **28,510,165** | **24.6%** | **30,569,876** | **28.7%** | **(2,059,711)** | **-6.7%** |
| Segregated accounts | 345,570 | 0.3% | 318,115 | 0.3% | 27,455 | 8.6% |
| UCITS and other investment funds | 37,372,614 | 32.3% | 33,827,309 | 31.7% | 3,545,305 | 10.5% |
| Insurance products | 14,708,427 | 12.7% | 15,595,412 | 14.6% | (886,985) | -5.7% |
| Asset under custody and Direct deposits under advisory | 3,376,563 | 2.9% | 2,331,802 | 2.2% | 1,044,761 | 44.8% |
| **ASSETS UNDER MANAGEMENT BALANCE** | **55,803,174** | **48.2%** | **52,072,638** | **48.9%** | **3,730,536** | **7.2%** |
| Government securities, bonds and stocks | 31,567,228 | 27.2% | 23,915,356 | 22.4% | 7,651,872 | 32.0% |
| **ASSETS UNDER CUSTODY** | **31,567,228** | **27.2%** | **23,915,356** | **22.4%** | **7,651,872** | **32.0%** |
| **TOTAL FINANCIAL ASSETS** | **115,880,567** | **100.0%** | **106,557,870** | **100.0%** | **9,322,697** | **8.7%** |
| of which Guided products & services | 43,913,131 | 37.9% | 40,221,024 | 37.7% | 3,692,107 | 9.2% |

It should be noted that the percentage reported for Guided products & Services, which is equal to 37.9% as at June 30th, 2023, is calculated by comparing their amounts with total financial assets amounts.

# Business performance

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

## Net sales

(Amounts in € thousand)

| | 1st Half 2023 | Comp % | 1st Half 2022 | Comp % | Changes Absolute | % |
|---|---|---|---|---|---|---|
| Current accounts and demand deposits | (2,059,711) | -39.6% | 1,023,100 | 18.2% | (3,082,811) | n.a. |
| Time deposits and reverse repos | - | 0.0% | (1) | 0.0% | 1 | -100.0% |
| **DIRECT DEPOSITS** | **(2,059,711)** | **-39.6%** | **1,023,099** | **18.2%** | **(3,082,810)** | **n.a.** |
| Segregated accounts | 12,231 | 0.2% | 18,703 | 0.3% | (6,472) | -34.6% |
| UCITS and other investment funds | 2,187,693 | 42.0% | 543,699 | 9.6% | 1,643,994 | n.a. |
| Insurance products | (1,152,702) | -22.2% | 1,085,383 | 19.3% | (2,238,085) | -206.2% |
| Asset under custody and Direct deposits under advisory | 899,054 | 17.3% | 53,910 | 1.0% | 845,144 | n.a. |
| **ASSETS UNDER MANAGEMENT** | **1,946,276** | **37.4%** | **1,701,695** | **30.2%** | **244,581** | **14.4%** |
| Government securities, bonds and stocks | 5,317,308 | 102.2% | 2,911,398 | 51.7% | 2,405,910 | 82.6% |
| **ASSETS UNDER ADMINISTRATION** | **5,317,308** | **102.2%** | **2,911,398** | **51.7%** | **2,405,910** | **82.6%** |
| **NET SALES** | **5,203,873** | **100.0%** | **5,636,192** | **100.0%** | **(432,319)** | **-7.7%** |
| of which Guided products & services | 2,430,807 | 46.7% | 1,624,961 | 28.8% | 805,846 | 49.6% |

It should be noted that the percentage reported for Guided products & Services, which is equal to 46.7% as at June 30th, 2023, is calculated by comparing their amounts with total net sales.

# Business performance

## Performance of main income statement aggregates

**Revenues** amounted to € 600.7 million, registering a 29.5% increase compared to the € 464 million recorded in the same period of 2022, mainly thanks to the contribution of Financial margin, Net fee and commission income, partially offset by the decrease in Net trading, hedging and fair value income.

**Financial margin** increased of 86.1% compared to the first half of previous year (+ € 151.9 million) supported by the **interest margin** which increased by 158.5% (+ € 201.2 million) mainly thanks to the rise in market interest rates. **Profits from Treasury**, instead decreased by € 49.4 million compared to the first half of 2022.

**Net fee and commission income** increased of €9.6 million compared to the same period of the previous year, mainly attributable to commissions generated by Investing (+ € 7.2 million) thanks to the greater contribution of Fineco AM, and higher net margin on AUM. Also of note is the growth in commissions generated by Banking (+ € 3.8 million), thanks to growth in net commissions related to payment systems. During the first half of 2023, the subsidiary Fineco AM generated net commissions of € 73.5 million.

**Net trading, hedging and fair value income** amounted to € 30.1 million and decreased by € 24.8 compared to the same period of the previous year. The item mainly includes profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency. The item also includes the ineffectiveness component of hedging transactions, amounting to - € 5.1 million (€ 11.7 million in the first half of 2022), determined by the application of different curves for the fair value valuation of hedging derivative contracts and hedged items under fair value hedge transactions.

**Operating costs** highlight an increased by € 8.5 million compared to the first half of previous year (+ € 2.8 million for "Staff expenses", + € 5.6 million for "Other administrative expenses net of Recovery of expenses" and + € 0.1 million for "Impairment/write-backs on intangible and tangible assets"). The 6.2 % increase in operating costs is mainly determined by expenses closely linked to the growth of the business (assets, volumes, customers and structure), certified by a cost/income ratio of 24.1% (29.3% at June 30th, 2022) confirming the Group's strong operating leverage and widespread corporate culture of cost management.

**Net write-downs of loans and provisions for guarantees and commitments** in first half 2023 amounted to - € 2.1 million (- € 1.2 million in first half 2022). The cost of risk was 5 basis point.

**Other charges and provisions** amounted to € 12 million, down to 3.9% on first half 2022. It should be noted that in first half 2023 the ordinary annual contribution required for the year 2023, in accordance with Directive 2014/59/EU (Single Resolution Fund), was recognised in the amount of € 6.6 million, lower than € 7.6 million for first half 2022.

**Net income from investments** stood at - € 0.6 million, in line with the first half of 2022.

**Profit before tax from continuing operations** amounted to € 441.5 million, up to 40.8% compared to the same period of previous year (+40.7% excluding non-recurring items booked in the first half of 2022[6]), mainly thanks to higher Financial margin (+ € 151.9 million) and Net fee and commission income (+ € 9.6 million), partially offset by Net trading, hedging and fair value income (- € 24.8 million) and the growth of Operating costs (+ € 8.5 million).

**Net profit for the period** amounted to € 308.9 million, increasing by 38.9% compared to € 222.4 million of the first half 2022 (+38.8% excluding the non-recurring items of the first half 2022[7]).

[6] Fair value change and Cancellation of exposure in equity securities to the Voluntary Scheme established by the Interbank Deposit Protection Fund in the amount of € -0.3 million (gross of tax effect).
[7] Fair value change and Cancellation of exposure in equity securities to the Voluntary Scheme established by the Interbank Deposit Protection Fund in the amount of € -0.2 million (net tax effect).

# Business performance

## Performance of main balance sheet aggregates

**Cash and cash balances**, amounted to € 1,518.6 million up by € 48.9 million from December 31st, 2022 (€ 1,469.7 million). The item consisted mainly of the overnight deposited opened at the Bank of Italy, for a total amount of € 1,197.5 million, the liquidity deposited with the Bank of Italy net of the stock related to the minimum reserve requirement allocated for the current reporting period, which is represented in the item Loans and receivables to banks, in the amount of € 0.9 million, as well as liquidity deposited on current accounts with credit institutions for the settlement of payment transactions, for the settlement of securities transactions, for the management of the liquidity of UK customers and for the management of Fineco AM's liquidity, for an amount of € 320.3 million.

**Loans and receivables to banks** amounted to € 415.6 million, decreasing by € 11.1 million compared to December 31st, 2022.

**Loans and receivables to customers** came to € 6,184.5 million with a decrease of € 261.2 million compared to December 31st, 2022, mainly due to the reduction of current account overdrafts and initial margins at compensation bodies. During the first half 2023, € 111 million in personal loans and € 94 million in mortgages were granted and € 651 million in current account overdrafts were arranged, of which € 641 million guaranteed. Impaired loans net of impairment losses totaled € 5.3 million (€ 3.5 million as at December 31st, 2022), with a coverage ratio of 79.5%. The ratio between impaired loans and total loans to ordinary customers was 0.09% (0.06% as at December 31st, 2022).

**Financial investments** came to € 22,613.2 million, including the negative valuation of fixed-rate securities specifically hedged against interest rate risk, decreasing by € 2,020.8 million compared to December 31st, 2022. The reduction is due to the sales and repayments of debt securities at amortised cost in the first half of 2023. The carrying amount of the debt securities issued by the UniCredit S.p.A. amounted to € 981 million, down compared to € 1,681.3 million recorded as at December 31st, 2022 due to the repayment of securities maturing during the first half 2023.

**Hedges recognised as assets** in the balance sheet amounted to € 1,028.8 million and include the positive fair value valuation of hedging derivatives and the value adjustment of assets subject to generic hedging, represented by fixed-rate mortgages. **Hedges recognised as liabilities** in the balance sheet amounted to - € 13.4 million and include the negative fair value measurement of hedging derivatives and the value adjustment of liabilities subject to generic hedging, represented by direct funding from customers. The negative change in hedging derivative contracts recognised in the first half of 2023 is attributable to both the closure of certain derivative contracts at the same time as the sale of the hedged debt securities and the reduction in fair value of existing contracts. The valuation of the hedged items, as a result, evolved in the opposite direction, recording a negative change in assets subject to generic hedging represented by mortgages and a positive change in the liabilities subject to generic hedging. It should be noted that the negative change recorded by securities specifically hedged, is shown in Financial investments item, as described above.

**Tax credits acquired** amounted to € 1,341.8 million. The item include the carrying amount of tax credits purchased under Decree-Law 34/2020 and subsequent updates, that increased compared to the amount of € 1,093.3 million as at December 31st, 2022, due to purchases made in the period which were higher than the amounts offset in the first half of 2023.

**Deposits from banks** totaled € 1,299.5 million, showing a decrease of € 377.7 million compared to December 31st, 2022, mainly attributable to the reduction in variation margins received for derivative transactions as a result of the closure of certain hedging derivative contracts, as described above, and the negative change in fair value recorded by hedging derivative contracts.

**Deposits from customers** came to € 29,187.8 million, showing decrease of € 2,507.8 million compared to December 31st, 2022, due to the reduction in direct deposits on current accounts from customers (- € 2,039.2 million), flowed into products of assets under administration and management, as described above, and the reduction in repurchase agreements made by the Parent Company Treasury (- € 496.7 million).

**Debt securities in issue**, amounted to € 803.1 million, exclusively include Senior Preferred Bonds issued by FinecoBank. During the first half of 2023, the Bank successfully completed the placement of its second market issue of Senior Preferred Bonds in the amount of € 300 million.

**Shareholders' equity** amounted to € 1,911.5 million, essentially unchanged from December 31st, 2022. The profit recognised in the first half of 2023, amounted to € 308.9 million, offset the main reductions recognised in the period, due to the distribution of dividends resolved by the Shareholders' Meeting of April 27th, 2023, totalling € 299.2 million, and the payment of coupons on the AT1 instruments issued by FinecoBank, the amount of which, net of the related taxation, resulted in a reduction in Shareholders' equity of € 9.9 million.

# Business performance

## Communications and external relations

On March 7th, 2023, the new communication campaign was presented at a press conference. It is a clear chenge from the "*Noi siamo Fineco*" ("We are Fineco") concept launched in 2020 and shifts the focus from the brand to people, with their needs and desires. The campaign was inspired by the results of a survey conducted by Research Dogma, which investigated the relationship of Italians with time, noting a growing mood of uncertainty about the future, but also the discovery of new priorities to which to devote time and attention. In a world in which everything has changed, Italians appear increasingly worried about the future, but the drive to build a better life remains strong, based on the conviction that in order to be happy, it is not necessary to spend one's time worrying excessively about money.

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

In addition, two advertising flights were planned in March and May 2023, involving TV, radio and print as well as digital and outdoor nationwide.

With reference to the main solidarity initiatives, in the first half of 2023, the FinecoBank Group supported the fundraising of the Italian Red Cross, which intervened in Emilia-Romagna to rescue and evacuate the population following the floods that hit the area. A direct donation from the Bank was flanked by a fundraising drive through the Fineco website, still ongoing as at June 30th, 2023. In addition, in May, FinecoBank supported Pic Nic Theodora, one of the association's two main fundraising events, whose mission is to bring moments of play, listening and escape to hospitalised children thanks to the personalised visits of *Dottor Sogni*: professional artists, hired and trained by the Theodora Foundation to work in highly complex paediatric wards.

The Personal Financial Advisors' activities were supported by a special focus both at a territorial level, through articles and editorials published in local newspapers to illustrate the services available to savers, with a particular focus on advisory issues, and at a national level, highlighting the growth of the advisory network and supporting recruitment activities with numerous articles and interviews with *area managers* to announce new recruits.

Global inflation issues together with interest rate interventions by central banks were the main topics analysed by the media during the first half of the year, and Fineco, on some occasions, was a protagonist of these in-depth reports through interviews with the Bank's key figures.

FinecoBank has been confirmed as "Top Employer Italy" again in 2023, thanks to the attention devoted to the enhancement of resources and the development of skills, fostering a positive and stimulating working environment.

Lastly, FinecoBank continued to support the initiatives organised by TEDxMilano, concretising its commitment by supporting the TEDx Global event on climate change: "Countdown". A highly topical theme that saw numerous speakers from a variety of sectors speak and raise awareness of the urgency of the fight against climate change, a mission that the Group supports.

**Main environmental protection initiatives**

Also in 2023, the Group has confirmed its collaboration with FAI (Fondo Ambiente Italiano). FinecoBank continued to be Corporate Golden Donor of FAI since 2017, a qualification that rewards the companies that are most active in the field of culture and the protection of the territory's artistic heritage. Fineco has been the main sponsor of the "Giornate FAI di Primavera" (FAI Spring Days) 2023 edition, the biggest street festivals dedicated to Italy's cultural heritage and landscape, with more than 1,000 openings.

The project initiated by the Municipality of Milan has been renewed until 2024, "Care for and adopt public green areas", with a collaboration for the redevelopment of urban green areas in the Lombard capital, in the area between Corso Como, Corso Garibaldi and Largo La Foppa. The objective of the sponsorship project, which will last three years, is to contribute to the conservation and improvement of existing green areas.

The project with Lifegate, in the Plasticless project, continued in 2023, in addition to the action begun in 2021, with the aim to increase the effort on recovery of plastic materials in seas and lakes, reaching a total of 12 device units (Seabin). The initiative was also supported by the activation of a local pubblicity plan to raise awareness on plastic waste issues, meeting many hundreds of people across the country.

# Business performance

## Sustainability

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

Specifically, in the area of responsible finance, about 43.7% of Fineco AM's funds were related to funds that promote, among other features, environmental or social characteristics, or a combination thereof (ex-Article 8 SFDR), while 1% were related to funds with a sustainable investment objective (ex-Article 9 SFDR). As of the same date, at the Group level about 57.4% of the funds distributed in the Fineco platform were classified as ex-Article 8 SFDR, while about 4.4% were classified as ex-Article 9.

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

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

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

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

May 2023 also saw the launch of the new edition of *AIxGirls*, the summer campus on artificial intelligence and *data science* dedicated to fourth-grade girls, which, for the second year in a row, will be supported by Fineco AM.

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

In the first half of 2023, the Bank is also included in the MIB ESG Index di Euronext, the FTSE4Good, the Bloomberg Gender Equality Index (GEI) 2023, the S&P Global 1200 ESG Index, the Standard Ethics Italian Banks Index and the Standard Ethics Italian Index.

**Awards**

Below are the awards given to Fineco in the first half of 2023:

- **Top Employer Italia**: FinecoBank received in 2023 for the fifth consecutive year, the Top Employer Italia certification, awarded to companies that stand out for excellence in HR strategies and policies;
- **MF Investment & Advisor Awards 2023 – Best in ESG**: FinecoBank, Network of financial advisors with the best Standard Ethics sustainability rating;
- **Sustainability Leader 2023**: the publication recognises FinecoBank among Italian companies that have distinguished themselves on ESG issues.

# FinecoBank shares

## Share information

As of June 30th 2023, the price of the share was equal to € 12.32, down compared to the last trading day of 2022 equal to € 15.52. The average value recorded by the share in the first half of 2023 was € 14.41.

The company's market capitalization equaled to € 7,520 million as of June 30th, 2023.

| | Year 2014 | Year 2015 | Year 2016 | Year 2017 | Year 2018 | Year 2019 | Year 2020 | Year 2021 | 1st half 2022 | Year 2022 | 1st half 2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Official price of ordinary shares (€ )** | | | | | | | | | | | |
| - maximum | 4.750 | 7.805 | 7.400 | 8.735 | 11.890 | 12.385 | 13.425 | 17.305 | 16.180 | 16.180 | 16.690 |
| - minimum | 3.808 | 4.438 | 4.622 | 5.345 | 7.956 | 8.514 | 6.918 | 12.875 | 10.335 | 10.335 | 11.960 |
| - average | 4.173 | 6.479 | 5.980 | 6.914 | 9.823 | 10.234 | 11.329 | 14.947 | 13.764 | 13.401 | 14.413 |
| - period-end | 4.668 | 7.625 | 5.330 | 8.535 | 8.778 | 10.690 | 13.400 | 15.435 | 11.420 | 15.520 | 12.315 |
| **Number of shares (million)** | | | | | | | | | | | |
| - outstanding at period end | 606.3 | 606.5 | 606.8 | 607.7 | 608.4 | 608.9 | 609.6 | 609.9 | 610.1 | 609.9 | 610.6 |

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

- the restarting of Banca IFIS's “Rendimax Deposit Account for Fineco” in the distribution platform for third-party bank deposit accounts and the simultaneous reshaping of the offers both in terms of rates, still in line with the market, and in terms of maturities;
- the revision of the codes regeneration process in the public section of the Fineco website with the aim of offering customers better user friendliness;
- the migration of credit transfer operations to a new technical infrastructure that improve the service in terms of performance and usability for customers through the mobile app;
- the restyling of the mobile app graphics.

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

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

The table below shows the credit card spending compared to the spending of the first half 2022 and the amounts as at June 30th, 2023 compared to December 31st, 2022. Credit card spending increased of 11.8% compared to the same period of previous year.

(Amounts in € thousand)

| | Spending | Amounts as at | Spending | Amounts as at | Changes | | | |
|---|---|---|---|---|---|---|---|---|
| | 1st Half | | 1st Half | | Spending | | Amounts as at | |
| **Credit Products** | **2023** | **06/30/2023** | **2022** | **12/31/2022** | **Amounts** | **%** | **Amounts** | **%** |
| Revolving credit cards | 19,056 | 34,309 | 18,643 | 34,802 | 413 | 2.2% | (493) | -1.4% |
| Credit cards full payment of balance | 1,668,380 | 299,710 | 1,491,299 | 305,822 | 177,081 | 11.9% | (6,112) | -2.0% |
| **Total** | **1,687,436** | **334,019** | **1,509,942** | **340,624** | **177,494** | **11.8%** | **(6,605)** | **-1.9%** |

# Results achieved in the main areas of activity

## Mortgages, credit facilities and personal loans

With regard to the lending activities, in the first half of 2023 the "instant" approval mode was developed for the Credit Lombard product, which is reserved for customers deemed "eligible" according to predefined credit rules and only for applications between € 10,000 and € 50,000.

The table below shows a reduction in disbursements of 20,6% overall compared to the first half of 2022, mainly attributable to mortgages, also as a result of the rise in interest rates; the amounts show a decrease of 3% compared to December 31st, 2022.

(Amounts in € thousand)

| Credit Products | Disbursements | Amounts as at | Disbursements | Amounts as at | Changes | | | |
|---|---|---|---|---|---|---|---|---|
| | 1st Half | | 1st Half | | Disbursements | | Amounts as at | |
| | 2023 | 06/30/2023 | 2022 | 12/31/2022 | Amount | % | Amount | % |
| Personal loans and unsecured loans | 111,401 | 546,760 | 142,216 | 552,369 | (30,815) | -21.7% | (5,609) | -1.0% |
| Current account credit facilities* | 651,123 | 2,274,569 | 679,094 | 2,401,690 | (27,971) | -4.1% | (127,121) | -5.3% |
| Mortgages | 94,382 | 2,585,492 | 258,579 | 2,619,278 | (164,197) | -63.5% | (33,786) | -1.3% |
| **Total** | **856,906** | **5,406,821** | **1,079,889** | **5,573,337** | **(222,983)** | **-20.6%** | **(166,516)** | **-3.0%** |

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

It should be noted that the credit lines guaranteed by securities granted in the first half of 2023 totaled € 641 million (€ 621 million related to "Credit Lombard" product, € 13 million related to credit facilities secured by pledged and € 7 million related to credit facilities with mandate for sale), equals to 98% of total amount of credit lines granted.

# Results achieved in the main areas of activity

## Brokerage

After a first quarter of 2023 characterized by market uncertainty and consequent volatility, the second half of the semester was driven by a general stabilization phase for both equity and bond markets, even if the macroeconomic framework remains complex. Despite this context, FinecoBank further increased its position as market leader, ranking first both in the "Share" ranking of volumes traded on Euronext Milan Domestic, Euronext Growth Milan and Equiduct as well as in the ranking of volumes traded on directly managed systematic internalisers (as at June 30th, 2023, according to the Assosim Report, the market share stood at 26.96% compared to 26.44% at the end of 2022), and in the ranking of volumes traded on behalf of third parties as at June 30th, 2023 on Mini Index Futures, with 42.47% of the market (37.83% at the end of 2022), and Micro Index Futures, with 44.67% of the market (55.40% at the end of 2022).

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

- a renewed graphic design for the Fineco website, designed to improve the browsing experience, accessibility to the reserved area and with particular attention also to the needs of users with disabilities;
- the new FinecoX trading platform that offers a more modern and user-friendly interface with several preconfigured templates and extensive customization possibilities. Users can monitor charts, watchlists, news, portfolio and orders on a single screen, and invest in a wide range of financial instruments. FinecoX joins for the moment the Fineco Powerdesk, the trading platform most used by Italian traders, which will continue to be available to more experienced investors;
- the issuance, listing as Market Maker and trading of its own Fixed Leverage Certificates (on the website, Power Desk and Mobile App). Fineco thus becomes the first Italian issuer for this type of financial instruments, listed on the Vorvel Certificates segment of the MTF Vorvel and therefore available to all clients of brokers participating in the segment.

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

(Amounts in € thousand)

| | 1st Half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Absolute | % |
| Orders - Equity Italy (including internalised orders) | 4,297,355 | 4,965,495 | (668,140) | -13.5% |
| Orders - Equity USA (including internalised orders) | 1,273,486 | 1,650,554 | (377,068) | -22.8% |
| Orders - Equity other markets (including internalised orders) | 442,127 | 525,961 | (83,834) | -15.9% |
| *Total Equity orders* | *6,012,968* | *7,142,010* | *(1,129,042)* | *-15.8%* |
| Orders - Bonds | 527,364 | 227,730 | 299,634 | 131.6% |
| Orders - Derivatives | 5,457,732 | 6,840,757 | (1,383,025) | -20.2% |
| Orders - Forex | 565,822 | 526,359 | 39,463 | 7.5% |
| Orders - CFDs | 997,155 | 1,284,586 | (287,431) | -22.4% |
| Orders - Funds | 1,984,150 | 2,385,041 | (400,891) | -16.8% |
| **Total orders** | **15,545,191** | **18,406,483** | **(2,861,292)** | **-15.5%** |

# Results achieved in the main areas of activity

## Investing

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

The fund platform on the Italian market consists of 72 investment houses with a total of approximately 4,170 ISINs subscribable as at June 30th, 2023. With reference to collective asset management products, it should be noted that from September 2019, the placement of funds also began on the UK market. On the UK platform there are 21 Investment Houses and approximately 750 ISINs that can be subscribed to.

With regard to collective asset management products, the range was expanded during the first half of 2023 with the addition of 11 Fineco AM funds available to customers. In fact, Fineco AM's offering was further expanded with the entry of new versions Smart Defence (Smart Global Defence 2029 Fineco AM Fund II, Smart Global Defence 2026 Fineco AM Fund, Smart Global Defence 2029 Fineco AM Fund III A, Smart Global Defence 2030 Fineco AM Fund, Smart Defence Multi-Strategy 2029 Fineco AM Fund and Smart Defence Progression 2025 Fineco AM Fund) with the aim of capital protection and the distribution of a coupon at maturity. As in the past, these are funds that always attract a lot of interest; during the first half of the year, the Smart Defence Progression 2025 Fineco AM Fund was so popular that subscriptions closed after 3 hours from the opening due to reaching the plafond.

In addition, a new single strategy proxy fund (Fineco US Dollar Bond Fund) was launched during the first half of the year. Fineco AM US Dollar Bond Fund is a strategy managed by Fineco AM's bond team that aims to give predominant exposure to the US government bond segment. The portfolio is actively managed, and the selected Bloomberg US Treasury Index benchmark is used for performance comparison purposes only.

A new strategy (FAM Target) has been added to the FAM Evolution family, the Fineco AM Passive Underlyings 8 Target 2026, which complements the other Fineco AM Evolvution funds already on the platform, but which allows a gradual exposure to equity and bond markets, reducing the risks of market timing or rather entering the markets at the least opportune moment, using a boost - to opportunistically accumulate positions in the portfolio, taking advantage of favourable market conditions and anticipating decumulations. This is a fund of funds based on a 3-year decumulation plan that aims to give predominant exposure to international equity markets based on a portfolio built on passive instruments.

Among the proxy solutions for *private* customers, the range of asset management schemes in exclusive placement for FinecoBank's customers has been consolidated. The range is represented by the lines in securities, Private Value and Private Etiche, and the lines in ETFs and funds called Private Global, each with risk profiles ranging from prudent to dynamic and characterised by increasing equity exposure. *Private* customers' interest in asset management is constant, with significant interest in the Private Value lines in securities with balanced and bond exposure (Private Value Sviluppo, Private Value Bilanciata and Prudente); interest in customised solutions with contributions in excess of € 5 million is also on the rise.

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 17% compared to December 31st, 2022, with a predilection for equity and balanced sub-funds.

In the area of insurance advisory services, in during the first half of 2023 the collection continued mainly on the Multiramo Extra, Multiramo Target and Multiramo Private, although with some slowdowns due to changing market conditions. Regarding the new investment proposals, the “Top Valor” class I range was updated to include a “1.5% bonus” return on the underlying Separate Management. In addition, the restyling of the MultiramoTarget was released with the inclusion of FIA 70 and FIA “Sustainable” from the initial asset allocation.

Regarding the offer on the primary market (IPO), the placement of Investment Certificates continued in the first half of 2023. The structures mainly used are those with 100% “capital protection”, with participation in the rise of the underlying, and “conditionally protected" through protection barriers up to 70%, also quarterly autocallable with conditional coupon and memory effect. 3 different issuers were used and 6 placements were made with a total collection of more than € 88 million. The continuous increase in the number of Certificates listed on the secondary market, also in ESG themes, broadens the solutions that can be used within the Bank’s advisory services.

With reference to advisory services, the Bank continued its activities and solutions aimed at improving the services offered to Fineco's customers and personal financial advisors. The requests to customise private portfolios of over € 500,000, received by the Bank's Senior Investment Specialist team, reached a countervalue of over € 4 billion, demonstrating the appreciation of the service provided and the need by customers to receive customised investment solutions.

With a view to supporting the activities of financial advisors on clients with positions spread over several portfolios or belonging to an extended household, the "Active Monitoring" service was launched in 2020. This service involves a constant dialogue between the personal financial advisor and a team of Senior Investment Specialists who constantly monitor the client's entire position using a dedicated and technologically advanced platform. At present, the service provides a depth of analysis of positions comparable to that carried out by asset managers. The activation requests of this service, dedicated to customers with portfolios of more than € 2.5 million, have exceeded € 2.4 billion at the end of the first half of 2023.

# Results achieved in the main areas of activity

As part of the ongoing process of developing solutions for personal financial advisors, the "*Private Diagnostics*" service was enhanced with new portfolio analyses, such as: contribution to market risk and specific risk of individual instruments, contribution to market risk of factors and asset classes. In addition, the possibility of including non-standard products, such as separate third-party asset management schemes whose annual returns are known, in Diagnosis was added. Both changes were made in the individual Diagnosis report and in the comparison report.

During the first half of 2023, the number of portfolio diagnoses requested increased by 8% compared to the same period of the previous year. Prospect customers continue to represent more than half of the requests. Some third-party asset and Fineco assets diagnoses are recurring and have become a premium service offered to multi-banked clients with considerable assets.

Finally, the monthly reports on the model portfolios were updated by introducing the Fineco ESG rating figure for the products in the portfolio.

The following table shows in detail the composition of the products of assets under management as at June 30th, 2023, whose balance shows an increase of 7.2% compared to December 31st, 2022, due to net flows from customers' investment of excess liquidity in government bonds and asset management products previously mentioned.

(Amounts in € thousand)

| | Amounts as at | | Amounts as at | | Changes | |
|---|---|---|---|---|---|---|
| | 06/30/2023 | Comp % | 12/31/2022 | Comp % | Absolute | % |
| UCITS and other investment funds | 37,372,614 | 67.0% | 33,827,309 | 65.0% | 3,545,305 | 10.5% |
| Insurance products | 14,708,427 | 26.4% | 15,595,412 | 29.9% | (886,985) | -5.7% |
| Segregated accounts | 345,570 | 0.6% | 318,115 | 0.6% | 27,455 | 8.6% |
| Asset under custody and Direct deposits under advisory | 3,376,563 | 6.1% | 2,331,802 | 4.5% | 1,044,761 | 44.8% |
| **Total assets under management** | **55,803,174** | **100.0%** | **52,072,638** | **100.0%** | **3,730,536** | **7.2%** |

# The network of personal financial advisors

The marked change of scenario witnessed in 2022 continued into the first half of 2023, still characterised by inflationary pressures, tighter monetary policies, high rates and high volatility.

This is a particularly complex phase, in which Fineco continued its growth thanks to the efficiency of a business model able to cope with every market phase, the effectiveness of the strategy aimed at offering the right solutions and the further strengthening in the acquisition of new customers, confirming the strong demand for professional advice.

A path of growth that highlights the Bank's attractiveness and the Personal Financial Advisors Network's ability to support customers, guiding them in long-term planning and managing their emotions, thanks to a consolidated relationship of trust and the efficiency of the investment solutions available.

The great adaptability of the business model, coupled with the breadth of the range of offerings, has made it possible to meet and satisfy the needs of customers.

In the light of the complex situation in the markets, the inflows figure is particularly positive, even though there was a different asset mix which, due to volatility and the high interest rate context, saw a significant contribution from assets under administration.

To complement this, we would like to highlight the important contribution of Fineco AM, which has developed innovative investment solutions, such as the new Global Defence families, which are particularly popular - especially with prudent clients - because they make it possible to cope with market fluctuations and combine capital protection, and enabled the bulk of outflows recorded by insurance to be intercepted.

As at June 30th, 2023, the Network of personal financial advisor recorded significant results, in particular:

- Total Net Sales: € 4,274 million
- Total Net Sales Assets Under Management: € 1,947 million
- Net sales in Guided Products: € 2,427 million
- New customers acquired: 32,027

placing the Bank in 2nd place for net inflows as at June 30th, 2023 according to the Assoreti classification.
Without commercial campaigns for the period and despite the market effect, the Network's average portfolio increased by more than 9.72% compared to the same period of last year, from € 31.2 million to € 34.2 million, bringing the Personal Financial Adivisors Network's assets to over the € 100 billion mark, testifying to solid funding activity and a stable relationship of trust established with customers.

As regards the Private segment, as at June 30th, 2023, there was a significant increase in the number of private customers assisted by financial advisors, which reached over 46,500, and in assets attributable to them, which amounted to € 46.7 billion. The growth was sustained by net inflows of over € 2 billion in the first half of the year for this segment (an all-time high for the period), demonstrating the leadership position achieved in the domestic Private Banking market.

Fineco's strong attractiveness is also evident in its recruitment activity, particularly for professionals operating in more traditional realities. In the first half of 2023, 44 new "senior" financial advisors were recruited, qualified professionals coming mainly from traditional banks, institutions specialising in Private Banking and other financial advisory networks. Millenials' have been an important resource to invest in: 41 new advisors were introduced to the profession in the first half of the year as part of the “progetto giovani” (“youth project”). The net balance of the network was 34 in the first half of the year, with a decidedly modest turnover rate (around 1.7%).

In the area of financial education, in keeping with the Fineco's commitment, a total of around 820 customer events were held during the first half of 2023 (262 of which were web-based), with the aim of increasing knowledge on topics relating to investments, financial and wealth planning, and behavioural finance, and to answer participants' questions, dealing with various “current financial topics”.

These events are mainly addressed to customers and also involve prospective customers and were attended by some 23,750 customers and prospects. Of these, there were 16 events dedicated to high-end customers on the broader topic of wealth planning, with over 830 private clients involved.

As at June 30th, 2023 the PFA Network consists of 2,952 Personal Financial Advisors.

The widespread presence of the Network in the country is supported by the 425 financial shops. During the year, 6 new openings were developed to further support the image and capillarity. With a view to streamlining distribution across the territory and enhancing image, 7 financial shops were closed during the first half of 2023, while 6 new, more modern openings were made.

# 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 the first half of 2023 compared to the same period of previous year. Total net sales amounted to € 4,274.2 million, down 13.4% from June 30th, 2022, but with an important increase in terms of assets under administration and asset under management, which amounted to € 5,945 million (+56.4%).

## Net sales - Personal Financial Advisors Network

(Amounts in € thousand)

| | 1st Half 2023 | Comp % | 1st Half 2022 | Comp % | Changes Absolute | Changes % |
|---|---|---|---|---|---|---|
| Current accounts and demand deposits | (1,670,677) | -39.1% | 1,134,226 | 23.0% | (2,804,903) | -247.3% |
| Time deposits and reverse repos | - | 0.0% | (1) | 0.0% | 1 | -100.0% |
| **DIRECT DEPOSITS** | **(1,670,677)** | **-39.1%** | **1,134,225** | **23.0%** | **(2,804,902)** | **-247.3%** |
| Segregated accounts | 12,231 | 0.3% | 18,703 | 0.4% | (6,472) | -34.6% |
| UCITS and other investment funds | 2,185,024 | 51.1% | 551,517 | 11.2% | 1,633,507 | 296.2% |
| Insurance products | (1,149,791) | -26.9% | 1,086,617 | 22.0% | (2,236,408) | -205.8% |
| Asset under custody and Direct deposits under advisory | 899,053 | 21.0% | 53,936 | 1.1% | 845,117 | n.a. |
| **ASSETS UNDER MANAGEMENT** | **1,946,517** | **45.5%** | **1,710,773** | **34.7%** | **235,744** | **13.8%** |
| Government securities, bonds and stocks | 3,998,391 | 93.5% | 2,090,320 | 42.4% | 1,908,071 | 91.3% |
| **ASSETS UNDER ADMINISTRATION** | **3,998,391** | **93.5%** | **2,090,320** | **42.4%** | **1,908,071** | **91.3%** |
| **NET SALES - PERSONAL FINANCIAL ADVISORS NETWORK** | **4,274,231** | **100.0%** | **4,935,318** | **100.0%** | **(661,087)** | **-13.4%** |
| of which Guided products & services | 2,427,142 | 56.8% | 1,623,641 | 32.9% | 803,501 | 49.5% |

It should be noted that the percentage reported for Guided products & Services, equal to 56.8% as at June 30th, 2023, is calculated by comparing their amounts with the amount of total net sales – Personal Financial Advisors Network.

The table below shows the amount of deposits attributable to the network of financial advisors as at June 30th, 2023, amounted to € 101,063 million (+8.4% compare to December 31st, 2022). According to Assoreti's ranking, as at March 31st, 2023 (last data available), FinecoBank ranked 2nd in total assets, accounting for 13.41% of the network system, in line with the market share recorded on December 2022 of 13.34%.

## Total financial assets - Personal Financial Advisors Network

(Amounts in € thousand)

| | Amounts as at 06/30/2023 | Comp % | Amounts as at 12/31/2022 | Comp % | Changes Absolute | Changes % |
|---|---|---|---|---|---|---|
| Current accounts and demand deposits | 22,206,161 | 22.0% | 23,876,839 | 25.6% | (1,670,678) | -7.0% |
| **DIRECT DEPOSITS** | **22,206,161** | **22.0%** | **23,876,839** | **25.6%** | **(1,670,678)** | **-7.0%** |
| Segregated accounts | 345,570 | 0.3% | 318,115 | 0.3% | 27,455 | 8.6% |
| UCITS and other investment funds | 36,952,451 | 36.6% | 33,428,469 | 35.9% | 3,523,982 | 10.5% |
| Insurance products | 14,658,156 | 14.5% | 15,544,251 | 16.7% | (886,095) | -5.7% |
| Asset under custody and Direct deposits under advisory | 3,376,537 | 3.3% | 2,331,778 | 2.5% | 1,044,759 | 44.8% |
| **ASSETS UNDER MANAGEMENT BALANCE** | **55,332,714** | **54.8%** | **51,622,613** | **55.4%** | **3,710,101** | **7.2%** |
| Government securities, bonds and stocks | 23,523,659 | 23.3% | 17,712,757 | 19.0% | 5,810,902 | 32.8% |
| **ASSETS UNDER CUSTODY** | **23,523,659** | **23.3%** | **17,712,757** | **19.0%** | **5,810,902** | **32.8%** |
| **TOTAL FINANCIAL ASSETS PERSONAL FINANCIAL ADVISORS NETWORK** | **101,062,534** | **100.0%** | **93,212,209** | **100.0%** | **7,850,325** | **8.4%** |
| of which Guided products & services | 43,846,642 | 43.4% | 40,159,797 | 43.1% | 3,686,845 | 9.2% |

It should be noted that the percentage reported for Guided products & Services, equal to 43.4% as at June 30th, 2023, is calculated by comparing their amounts with the amount of total financial assets – Personal Financial Advisors Network.

# Human resources

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

As at June 30th, 2023, the Bank's employees are 1,288 up compared to 1,279 as at December 31st, 2022.

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

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

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

Our effort in attracting new talents continued also in the first six months of 2023 with a particular focus on new Generations (Millenials and Z Generation), also thanks to employer branding initiatives aimed at meeting and hiring new graduates or undergraduates and better understand the behavioral dynamics typical of the new generations. FinecoBank attended Career Days (also Digital) and continued to use different hiring and onboading techniques that help simplify the process and support HR, managers and candidates in a practical and effective way, who can also immediately equip themselves with all the necessary tools for remote work.

Out of the 34 recruitments made in the first half of 2023, many were employed in the Customer Relationship Management area confirming the strong and ongoing focus on young graduates. Customer Relationship Management is in fact the starting point of a path of professional development that can lead to cover different roles in the company

During the first half of 2023 a total of 25 employees left the Bank, including:

- 20 resignations;
- 5 for other reasons.

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

| | Men | | Women | | Total | |
|---|---|---|---|---|---|---|
| **Category** | **06/30/2023** | **12/31/2022** | **06/30/2023** | **12/31/2022** | **06/30/2023** | **12/31/2022** |
| Executives | 25 | 24 | 6 | 6 | 31 | 30 |
| Managers | 314 | 314 | 134 | 132 | 448 | 446 |
| Professional Areas | 407 | 402 | 402 | 401 | 809 | 803 |
| **Total** | **746** | **740** | **542** | **539** | **1,288** | **1,279** |

At June 30th, 2023, the Bank has 99 part-time employees (around 8% of the total), women employees making up 42% of the workforce. The average length of service is about 13 years and the average age is about 42.5.

# Human resources

## Employee training

During first half of 2023, employee training has been focused both on the acquisition and strengthening of specific skills required by the different company needs, and on the updating of individual knowledge, with specific focus on Mandatory, Technical, Linguistic and Behavioural-Managerial training.

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

| Training area | Hours of training |
|---|---|
| Mandatory | 10,444 |
| Technical | 10,177 |
| Foreign Language | 2,564 |
| Conduct – Management | 437 |
| **Total** | **23,622** |

*Fineco AM included

## Mandatory training

The Bank is committed in the constant spread and improvement of Risk and Compliance culture, elements which enables its business to be, other than profitable, sustainable over time. We believe that Training about these topics is paramount to promote, among employees, awareness on transparency and rules observance, essential for Fineco.

For this reason, considerable attention was paid to Mandatory Training, that involves all employees and is mainly provided through Learning Next platform, with the design of courses about relevant topics, e.g. "*Esternalizzazioni e internalizzazioni, Gestione dei servizi informatici forniti da terze parti, PSD2 e PAD e GDPR-Data Breaches*".

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

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

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

## Technical, Behavioural and Managerial Training

During the first half of 2023, with the assistance of external, strategic suppliers, Universities and internal specialists, the Bank has organised training sessions for the acquisition of the behavioural and technical skills needed to improve not only company productivity, but also the level of employee specialisation. For instance, we point out the following activities:

- "ECM Awareness and Incident Management" training sessions, with the aim of raising the awareness level and company culture on the topic.
- "Evidences valuation KO Pythagoras PS" training sessions, with the aim to inform "first level owners" about the AML checks, defined to clarify the procedural and methodological aspects, in order to properly implement regulatory requirements.

In addition, in line with new provisions required by 40°update of Circular n°285, the specialistic training path "Risk Management, Cyber-resiliency and bank field regulatory compliance" has been arranged, involving some resources of Risk, Compliance, Audit and Organization departments, besides a training path, at the planning stage, that will engage all the employees of the Bank.

Then, Project Management training paths, dedicated to *managers* and *professionals,* have been continuing for this year, too, for the purpose of meet the behavioral, managerial and personal training demand. Finally, on Learning Next platform is always available an on line catalogue, freely accessible and constantly enriched with new communication, self-efficacy, leadership, teamwork, motivational courses, but also technical issues like Microsoft 365, Excel and Word. In the Catalogue there are also courses about ethic, *diversity & inclusion,* stress management.

In order to respond more and more punctually to Bank's needs, starting from a training needs analysis done at the beginning of 2023, we are working on some new "ad-hoc" training projects, developed to fulfill the emerging necessities of empower Managerial, soft and cross-disciplinary skills.

# Human resources

As every year, in order to maintain high quality service and customer focus in the Customer Care department, training courses were held for newly employed and existing staff of this unit, with a total of 8,109 hours, focused on the acquisition of key technical expertise and role-specific skills.

Furthermore, a dedicated training on the job learning path has been defined with Managers for the majority of newly employed, with the aim to provide a concrete support during their first months of work.

Even for year 2023, FinecoBank has renewed the partnership with Valore D, that offers to employees the chance of having access to contents and courses designed to enhance the female talent and promote the Company inclusive culture.

## Foreign language training

Even in year 2023, all employees have the opportunity of using a dedicated platform, based on Artificial Intelligence, with the aim to increase English language skills of everyone, through a custom learning path, based on the initial level of knowledge and own personal interests of the learner.

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

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

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

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

As at June 30th, 2023, the Company's employees are 66 of which 26 women and 40 men and the average age is around 36.3.

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

# Human resources

## Incentive plans

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

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

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

- for the 2017, 2018, 2019, 2020 and 2021 Incentive Systems:
  - the execution of the plans;
  - the allocation of the fourth share tranche of the 2017 plan, awarded in 2018, corresponding to 27,426 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 9th, 2017, and subsequent meeting held on January 10th 2018;
  - the allocation of the third share tranche of the 2018 plan and of the fourth share tranche of the severance payment agreed in 2018 for an executive with strategic responsibility, awarded in 2019, corresponding to overall 42,049 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2018;
  - the allocation of the second and third share tranche of the 2019 plan, awarded in 2020, corresponding to 33,898 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2019;
  - the allocation of the second share tranche of the 2020 plan, awarded in 2021, corresponding to 1,908 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 15th, 2020;
  - the allocation of the first share tranche of the 2021 plan, awarded in 2022, corresponding to 64,324 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 19th, 2021;
  - a free capital increase effective from March 31st, 2023 for a total amount of € 55,969.65 corresponding to 169,605 free FinecoBank ordinary shares with a nominal value of € 0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 11th 2018, April 10th 2019, April 28th 2020 and April 28th 2021 pursuant to Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.03% of the fully diluted capital;
  - the payment of the second cash tranche related to the 2020 Incentive System, of the third cash tranche related to the 2019 Incentive System, of the third cash tranche of the 2017 Incentive System and of the third cash tranche of the severance agreement agreed in 2018 for an Executive with Strategic Responsibilities.
- for the 2022 Incentive System (Bonus Pool):
  - the FinecoBank 2022 Bonus Pool;
  - the proposed 2022 bonus for the Chief Executive Officer and General Manager, the other Executives with Strategic Responsibilities and other Identified Staff;
  - the allocation of 143,653 FinecoBank ordinary shares, to be allocated free of charge to the above-mentioned personnel in accordance with the relevant plan rules;
  - the payment of the first tranche in cash;
- for the 2018-2020 Long Term Incentive Plan for the employees:
  - the execution of the plan;
  - the allocation of the first, second and third share tranche of the plan, granted in 2018 and corresponding to 342,170 FinecoBank free ordinary shares, and subsequently, a free capital increase effective as of March 31st, 2023, for a total amount of € 112,916.10 in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 11st, 2018 pursuant to Article 2443 of the Italian Civil Code;
- for the 2022 PFA Incentive System plan:
  - the 2022 Bonus Pool for personal financial advisors;
  - the proposed 2022 bonuses for personal financial advisors classified as Identified Staff;
  - the allocation of 27,466 FinecoBank shares (within the maximum 260,779 ordinary shares), to be allocated free of charge to the above-mentioned personal financial advisors in accordance with the relevant plan rules;
  - the purchase of treasury shares, having obtained the authorisation from the Supervisory Authority, pursuant to Articles 77-78 EU 575/2013 of June 26th, 2013 (CRR) as amended by EU Reg. no. 876/2019, in accordance with the shareholder meeting resolution;
  - the payment of the first tranche in cash;
- for the 2021, 2020, 2019 and 2018 PFA Incentive System plans:
  - the execution of the plan;
  - the allocation of the first tranche in shares of "2021 PFA Incentive System plan" corresponding to 45,380 FinecoBank shares and the second tranche in cash to the personal financial advisors classified as "Identified Staff", in accordance with the plan rules;
  - the allocation of the second tranche in shares of "2020 PFA Incentive System plan" corresponding to 12,781 FinecoBank shares and the third tranche in cash to the personal financial advisors classified as "Identified Staff", in accordance with the plan rules;

# Human resources

    - the allocation of the third tranche in shares of “2019 PFA Incentive System plan” corresponding to 8,227 FinecoBank shares and the second tranche in cash to the personal financial advisors classified as "Identified Staff", in accordance with the plan rules;
    - the allocation of the third tranche in shares of “2018 PFA Incentive System plan”, corresponding to 3,435 FinecoBank shares to the personal financial advisors classified as "Identified Staff", in accordance with the plan rules;
- for the 2018-2020 Long Term Incentive Plan for FinecoBank Personal Financial Advisors classified as Identified Staff:
    - the execution of the plan;
    - the allocation to the beneficiaries of the first tranche of the Plan corresponding to 6,197 FinecoBank shares.

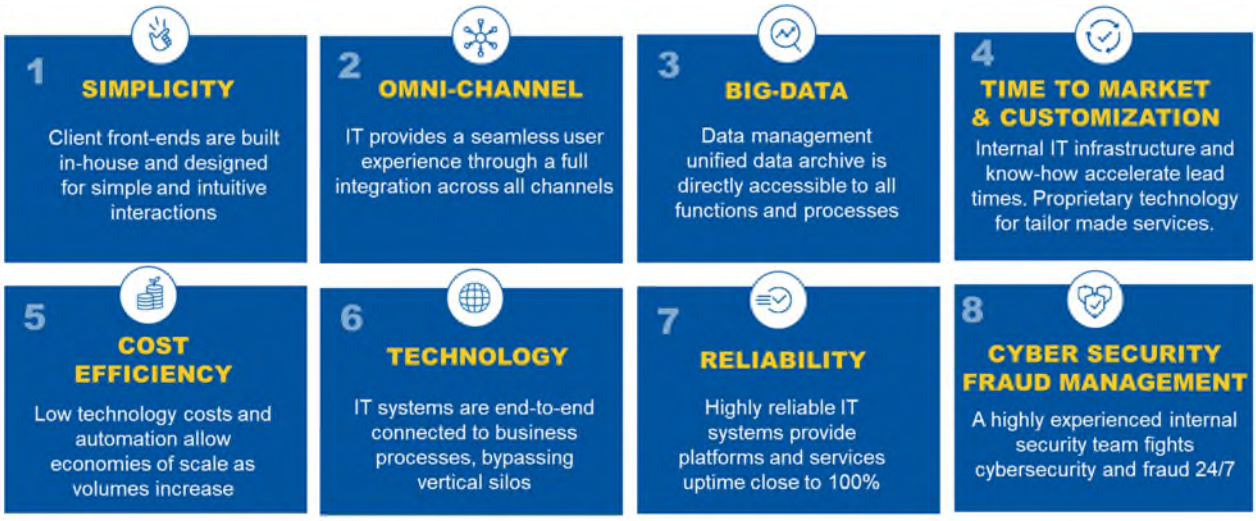
On April 19th, 2023, the Board of Directors of Fineco Asset Management DAC approved the 2023 incentive system for the local Identified Staff.

# Technology infrastructure

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

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

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




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

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

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

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

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

During the first half of 2023, the ICT & Security Office was engaged in the usual activity of technological upgrading, infrastructural and application optimisation with a focus on the consolidation and development of the information system, aimed at providing innovative, reliable, interoperable and open services that improve the experience of customers and financial advisors.

# Technology infrastructure

**Disclosure on Russian-Ukrainian crisis risks – cyber attack**

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

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

# Internal control system

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

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

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

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

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

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

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

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

From a methodological point of view, the Internal Control System of the Bank and Fineco AM, the only subsidiary[8], provides for three types of controls:

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

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

[8] It should be noted that as at June 30th, 2023, Fineco International Ltd, a wholly-owned subsidiary of FinecoBank S.p.A., was not operational.

# Internal control system

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

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

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

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

- control bodies and functions including, according to their respective responsibilities, the Board of Directors, the Risk and Related Parties Committee, the Remuneration Committee, the Appointments Committee, the Corporate Governance and Environmental and Social Sustainability Committee, the Chief Executive Officer and General Manager, the Board of Statutory Auditors, the Supervisory Body set up pursuant to Legislative Decree 231/01 and the corporate control functions (Risk Management, Compliance[9], Internal Audit) as well as other company functions with specific internal control duties[10];
- procedures for the coordination of entities involved in the internal control and risk management system, which provide for:
  - cooperation and coordination among control functions, through specific information flows that are formalised in internal regulations and through managerial committees dedicated to control issues;
  - definition of information flows between the Bank's corporate bodies and control functions.

In addition, it should be noted that the Finecobank Group, as a significant institution according to Regulation (EU) No. 468/2014, is subject to the direct supervision of the European Centra Bank (ECB). Consequently, the annual Supervisory Review and Evaluation Process (SREP) and the required Comprehensive Assessment, are carried out by a Joint Supervisory Team (JST), composed by BCE analyst from the DG “Specialized Institutions & LSIs” as well as members of the “Banks Supervisory Services 1” of the Bank of Italy.

# Main risks and uncertainties

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

[9] This function includes the Anti Money Laundering and Anti-Terrorism Function, responsible for managing the correct application of regulations on anti-money laundering and combating the financing of terrorism, headed by the Head of the Anti-Money Laundering Function. The DPO, Outsourcing, & ICT & Security Compliance Unit also operates within the Compliance Department, whose manager is assigned the role of Data Protection Officer by resolution of the Board of Directors of FinecoBank.

[10] The legislative framework and the codes of conduct assign control tasks to specific functions - other than corporate control functions - whose work should be seen as being a functional part of the Internal Control System. In this regard, the Bank has identified some functions / organizational structures which, on the basis of specific tasks assigned, oversee certain regulatory areas. In particular, the safeguards of the Manager in charge of preparing the corporate accounting documents and that of Control on the sales network of the tied agents are relevant.

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

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

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

All corporate functions, other than corporate control functions, also participate in the Internal Control System by carrying out the level-one controls included in the business processes within their responsibility.

# Organisational structure

## The Parent Company's Organisational Model

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

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

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

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

In brief:

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

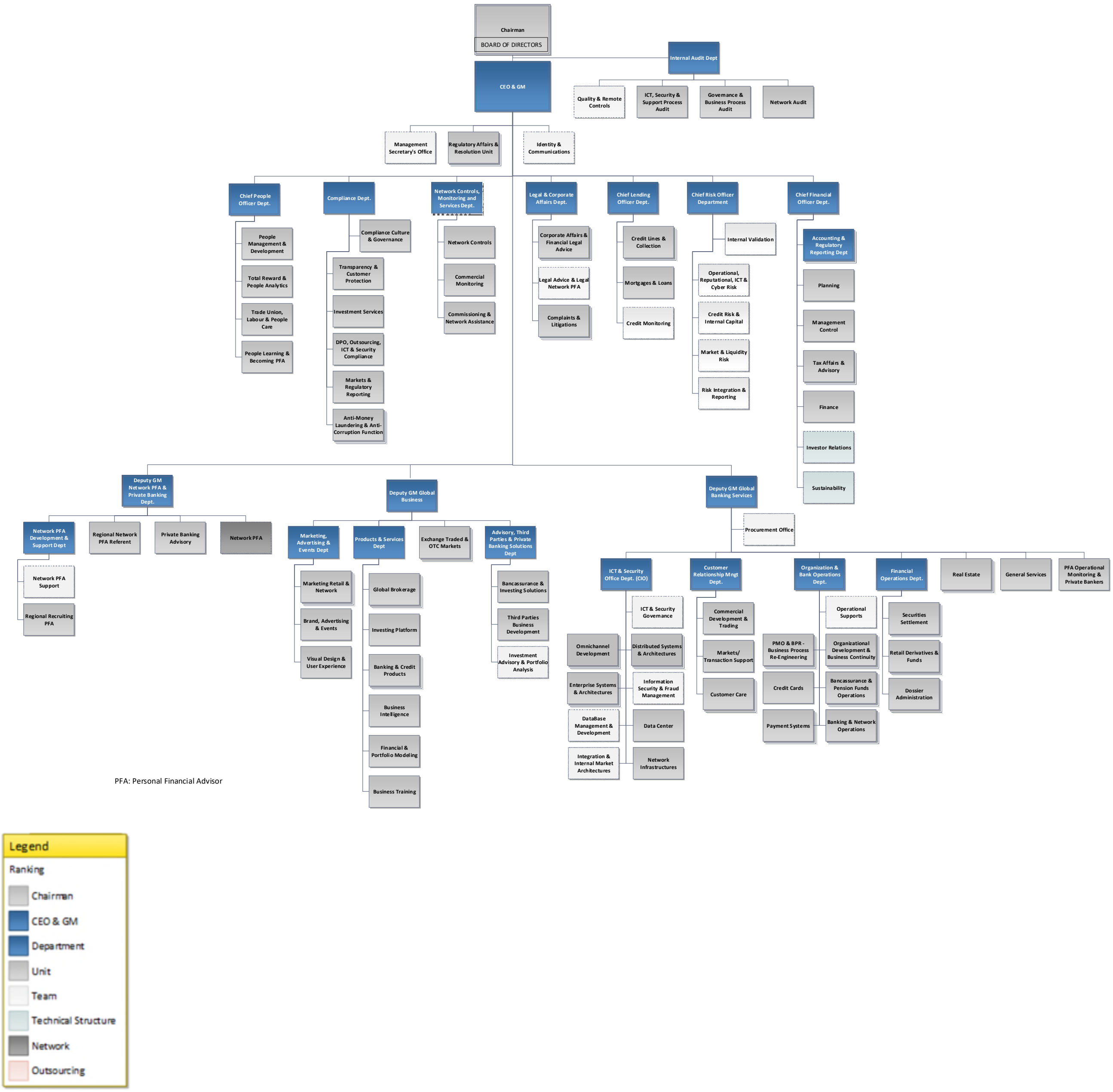
The three Deputy General Managers and related Departments (Network PFA & Private Banking Department, Global Business Department and Global Banking Services Department) report to the Chief Executive Officer and General Manager, in addition to the following organizational structures: the Chief Financial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

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

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

Effective June 30th, 2023, in order to implement the provisions of the 40th update of Bank of Italy Circular No. 285/13 on ICT and Security Risk, the Board of Directors resolved to update the responsibilities of the Chief Executive Officer and General Manager and to assign specific tasks to the second-level control functions Chief Risk Officer (CRO) and Compliance. At the same time, an update of the organisational structure of the Internal Audit Department was provided for, with the separation of the supervision of information technology and security risks into a new dedicated Unit, reporting directly to it. Lastly, the Board of Directors approved a revision of the organisational structure of the Compliance Department through the redistribution of the activities inherent to Compliance Risk Assessment (CRA) and Level II Controls (2LCs) to the Units already responsible for monitoring external regulations and advisory activities.

# 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.

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

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

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

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

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

# Main balance sheet aggregates

## Cash and cash balances

**Cash and cash balances**, amounted to € 1,518.6 million as at June 30th, 2023 (€ 1,469.7 million as at December 31st, 2022). The item consisted mainly of the overnight deposited opened at the Bank of Italy, for a total amount of € 1,197.5 million, the liquidity deposited with the Bank of Italy net of the stock related to the minimum reserve requirement allocated for the current reporting period, which is represented in the item Loans and receivables to banks, in the amount of € 0.9 million, as well as liquidity deposited on current accounts with credit institutions for the settlement of payment transactions, for the settlement of securities transactions, for the management of the liquidity of UK customers and for the management of Fineco AM's liquidity, for an amount of € 320.3 million.

## Financial assets held for trading

**Financial assets held for trading** totalled 16.9 million and include financial instruments that meets the definition of “held for trading”, in particular:

- equities, amounting to € 9.7 million (€ 10.6 million as at December 31st, 2022), held in the Bank's portfolio as mainly used for the operational hedging of CFD positions on shares open in counterpart of the customers and, to a lesser extent, from the internalisation activity and intended to be traded in the short term;
- the positive valuation of spot contracts for securities in the held for trading portfolio and currencies to be settled in time frames established by market practices ("regular way") for € 3.5 million (€ 2.5 million as at December 31st, 2022), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the positive valuation of CFD derivatives, traded in counterpart of the customers, and derivative contracts settled or entered into with institutional counterparties used for the related operational hedging of the above-mentioned derivative contracts and of the derivative contracts Knock Out Options and Certificates issued, for a total amount of € 3.8 million (€ 3.9 million as at December 31st, 2022).

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

## Loans and receivables to banks

(Amounts in € thousand)

| | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| **Loans and receivables to central banks** | **296,166** | **311,357** | **(15,191)** | **-4.9%** |
| **Loans and receivables to banks** | **119,461** | **115,339** | **4,122** | **3.6%** |
| Time deposits | 88,454 | 66,486 | 21,968 | 33.0% |
| Other loans: | 31,007 | 48,853 | (17,846) | -36.5% |
| 1. Reverse repos | 136 | 261 | (125) | -47.9% |
| 2. Others | 30,871 | 48,592 | (17,721) | -36.5% |
| **Total** | **415,627** | **426,696** | **(11,069)** | **-2.6%** |

**Loans and receivables to banks**, amounted to € 415.6 million, decreased by € 11.1 million compared to December 31st, 2022 and mainly consist of the compulsory reserve at the Bank of Italy and deposits to banks.

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

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

# Main balance sheet aggregates

The item “Other loans: 2. Others” consists of € 21.5 million for the amount of the initial margin, variations margins and collateral deposits for derivative and other financial instrument transactions (€ 41.3 million as at December 31st, 2022) and of € 9.3 million for current receivables associated with the provision of financial services (€ 7.3 million as at December 31st, 2022).

## Loans and receivables to customers

(Amounts in € thousand)

| | Amount as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| Current accounts | 2,274,569 | 2,401,690 | (127,121) | -5.3% |
| Reverse repos | 166,183 | 139,026 | 27,157 | 19.5% |
| Mortgages | 2,585,492 | 2,619,278 | (33,786) | -1.3% |
| Credit cards and personal loans | 880,778 | 892,064 | (11,286) | -1.3% |
| Other loans | 277,476 | 393,655 | (116,179) | -29.5% |
| **Total** | **6,184,498** | **6,445,713** | **(261,215)** | **-4.1%** |

**Loans and receivables to customers**, amounted to € 6,184.5 million, decreased by € 261.2 million compared to the amount as at December 31st, 2022 (-4.1%) and can be broken down as follows:

- credit facilities in current accounts of € 2,274.6 million, mainly overdraft accounts, that decreased by € 127.1 million compared to December 31st, 2022, of which loans with a security collateral (in particular “Credit Lombard”) totalled to € 2,195.2 million;
- € 166.2 million in reverse repos, up € 27.2 million compared to December 31st, 2022, made by “Multiday leverage” with retail customers and stock lending transactions with transactions institutional customers, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities, the amount of which is directly linked to the transactions carried out by customers and outstanding at the balance sheet date;
- € 2,585.5 million in mortgages, down € 33.8 million compared to December 31st, 2022. Disbursements in the first half of 2023 amounted to € 94.4 million, a decrease of 63.5% compared to the first half of 2022, also due to the rise in interest rates;
- € 880.8 in credit cards (revolving and use) and personal loans, down by € 11.3 million;
- € 277.5 million in other loans, mainly made by collateral deposits and initial and variation margins for derivative and other financial instrument transactions, for an amount of € 149.5 million (€ 259.9 million as at December 31st, 2022), and current receivables associated with the provision of financial services, for an amount of € 123.8 million (€ 130.7 million as at December 31st, 2022).

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

# Main balance sheet aggregates

The portfolio of **loan receivables to ordinary customers** amounts to € 5,745 million and mainly consists of receivables for personal loans, mortgages, credit facilities in current accounts and credit card revolving and use; overall, loans receivable to ordinary customers decreased of 2.9% mainly due to the reduction in the use of overdraft facilities.

(Amounts in € thousand)

| Loans and Receivables to Customers (Management Reclassification) | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| Current accounts | 2,271,131 | 2,399,917 | (128,786) | -5.4% |
| Credit cards use | 333,980 | 340,579 | (6,599) | -1.9% |
| Mortgages | 2,584,567 | 2,618,344 | (33,777) | -1.3% |
| Personal loans | 546,067 | 550,764 | (4,697) | -0.9% |
| Other loans | 4,145 | 3,032 | 1,113 | 36.7% |
| *Performing loans* | *5,739,890* | *5,912,636* | *(172,746)* | *-2.9%* |
| Current accounts | 3,438 | 1,772 | 1,666 | 94.0% |
| Mortgages | 926 | 934 | (8) | -0.9% |
| Credit cards use | 38 | 46 | (8) | -17.4% |
| Personal loans | 693 | 676 | 17 | 2.5% |
| Other loans | 39 | 26 | 13 | 50.0% |
| *Impaired loans* | *5,134* | *3,454* | *1,680* | *48.6%* |
| **Loans receivable to ordinary customers** | **5,745,024** | **5,916,090** | **(171,066)** | **-2.9%** |
| Reverse repos | 166,044 | 138,988 | 27,056 | 19.5% |
| Reverse repos - impaired | 140 | 37 | 103 | 278.4% |
| Collateral deposits and initial and variation margins | 149,534 | 259,849 | (110,315) | -42.5% |
| Current receivables associated with the provision of financial services | 123,719 | 130,713 | (6,994) | -5.4% |
| Current receivables associated with the provision of financial services - impaired | 37 | 36 | 1 | 2.8% |
| ***Current receivables and other receivables*** | ***439,474*** | ***529,623*** | ***(90,149)*** | ***-17.0%*** |
| **Loans and receivables to customers** | **6,184,498** | **6,445,713** | **(261,215)** | **-4.1%** |

## 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 | |
| | 06/30/2023 | 12/31/2022 | 06/30/2023 | 12/31/2022 | 06/30/2023 | 12/31/2022 | 06/30/2023 | 12/31/2022 |
| Bad exposures | 16,702 | 19,104 | (15,247) | (17,699) | 1,455 | 1,405 | 91.3% | 92.6% |
| Unlikely to pay | 4,893 | 4,459 | (3,343) | (3,038) | 1,550 | 1,421 | 68.3% | 68.1% |
| Past-due loans | 4,279 | 1,666 | (1,974) | (965) | 2,305 | 701 | 46.1% | 57.9% |
| **Total** | **25,874** | **25,229** | **(20,564)** | **(21,702)** | **5,310** | **3,527** | **79.5%** | **86.0%** |

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

The amount of non-performing loans net of impairment losses was € 5.3 million, of which € 1.4 million in bad exposures, € 1.6 million in unlikely to pay exposures and € 2.3 million in past-due loans. With regard to the latter, it should be noted that the increase compared to December 31st, 2022 is attributable to the overdraft of a limited number of overdraft facilities secured by securities. The impaired assets are the 0.09% of loan receivables to ordinary customers (0.06% as at December 31st, 2022). The coverage ratio of impaired assets, equal to 79.5%, is slightly decreasing compared to due to the above-mentioned past due receivables, which, being guaranteed by securities, have a lower risk.

# Main balance sheet aggregates

## Financial investments

(Amounts in € thousand)

| | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value | 6,275 | 5,552 | 723 | 13.0% |
| Financial assets at fair value through other comprehensive income | 27,654 | 26,872 | 782 | 2.9% |
| Financial assets at amortised cost | 22,577,631 | 24,599,892 | (2,022,261) | -8.2% |
| - financial assets at amortised cost to banks - debt securities | 3,001,436 | 3,602,498 | (601,062) | -16.7% |
| - financial assets at amortised cost to customers - debt securities | 19,576,195 | 20,997,394 | (1,421,199) | -6.8% |
| Investments in associates and joint ventures | 1,681 | 1,718 | (37) | -2.2% |
| **Total** | **22,613,241** | **24,634,034** | **(2,020,793)** | **-8.2%** |

“Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value” mainly consist of the Visa INC preferred shares (class “C” and “A”) for an amount of € 5.6 million, as well as the debt securities and UCITS for an amount of € 0.6 million.

"Financial assets designated at fair value through other comprehensive income" consist of securities issued by sovereign States and residually of equity interests in companies in which the Group does not exercise control or significant influence for € 7 thousand for which, upon first application of IFRS 9, the "FVTOCI"[12] option was exercised. The following table shows the debt securities issued by sovereign States:

(Amounts in € thousand)

| Counterparty | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| France | 27,647 | 26,865 | 782 | 2.9% |
| **Total** | **27,647** | **26,865** | **782** | **2.9%** |

The debt securities recorded in "Financial assets at amortised cost" issued by banks include, in particular, bonds issued by UniCredit S.p.A. for a total amount of € 981 million (€ 1,681.3 million as at December 31st, 2022), covered bonds issued and other bonds by credit institutions as well as bonds issued by Supranational organisations and Supranational agencies that fall within the definition of credit institutions, for a total amount of € 2,020.4 million (€ 1,921.2 million as at December 31st, 2022).

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

# Main balance sheet aggregates

The debt securities recorded in "Financial assets at amortised cost" issued by customers mainly consist of Sovereign and Supranational exposure. The breakdown of securities at amortised cost issued by sovereign States, including debt securities issued by the European Financial Stability Facility and by the European Stability Mechanism, are shown below. The remaining debt securities at amortised cost, which amount of € 2,273.5 million (€ 2,202.7 million as at December 31st, 2022) are mainly consist of debt securities issued by local Authorities and European Union. It should be noted that the carrying amount includes the negative valuation of fixed-rate securities subject to specific hedging of interest rate risk.

(Amounts in € thousand)

| Counterparty | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| Italy | 6,012,005 | 7,659,647 | (1,647,642) | -21.5% |
| Spain | 4,559,847 | 4,521,003 | 38,844 | 0.9% |
| Germany | 171,678 | 171,506 | 172 | 0.1% |
| France | 1,455,710 | 1,456,728 | (1,018) | -0.1% |
| USA | 558,572 | 547,721 | 10,851 | 2.0% |
| Austria | 665,107 | 670,898 | (5,791) | -0.9% |
| Ireland | 910,046 | 912,684 | (2,638) | -0.3% |
| United Kingdom | 58,367 | 56,199 | 2,168 | 3.9% |
| Belgium | 715,180 | 719,639 | (4,459) | -0.6% |
| Portugal | 373,633 | 379,113 | (5,480) | -1.4% |
| Switzerland | 32,632 | 32,477 | 155 | 0.5% |
| Saudi Arabia | 90,032 | 90,316 | (284) | -0.3% |
| Chile | 213,469 | 214,101 | (632) | -0.3% |
| China | 165,444 | 165,210 | 234 | 0.1% |
| Latvia | 29,756 | 29,740 | 16 | 0.1% |
| Iceland | 14,969 | 14,967 | 2 | 0.0% |
| EFSF (European Financial Stability Facility) | 663,015 | 640,874 | 22,141 | 3.5% |
| ESM (European Stability Mechanism) | 613,264 | 511,905 | 101,359 | 19.8% |
| **Total** | **17,302,726** | **18,794,728** | **(1,492,002)** | **-7.9%** |

The reduction in exposures to the Italy is mainly attributable to sales realised during the first half of 2023.

# Main balance sheet aggregates

## Hedging instruments

(Amounts in € thousand)

| | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| Asset hedging derivatives - positive valuations | 1,272,260 | 1,691,642 | (419,382) | -24.8% |
| Liability hedging derivatives - positive valuations | 657 | - | 657 | n.a. |
| Adjustment to the value of assets under macro-hedge | (244,095) | (266,938) | 22,843 | -8.6% |
| **Total assets** | **1,028,822** | **1,424,704** | **(395,882)** | **-27.8%** |
| of which: | | | | |
| Positive valuations | 1,266,080 | 1,697,148 | (431,068) | -25.4% |
| Accrued interest | 6,837 | (5,506) | 12,343 | n.a. |
| Adjustments to the value of hedged assets | (244,095) | (266,938) | 22,843 | -8.6% |
| **Total assets** | **1,028,822** | **1,424,704** | **(395,882)** | **-27.8%** |
| Asset hedging derivatives - negative valuations | 2,773 | 403 | 2,370 | n.a. |
| Liability hedging derivatives - negative valuations | 58,109 | 63,349 | (5,240) | -8.3% |
| Adjustment to the value of assets under macro-hedge | (74,320) | (66,932) | (7,388) | 11.0% |
| **Total liabilities** | **(13,438)** | **(3,180)** | **(10,258)** | **n.a.** |
| of which: | | | | |
| Negative valuations | 72,552 | 66,861 | 5,691 | 8.5% |
| Accrued interest | (11,669) | (3,109) | (8,560) | 275.3% |
| Adjustments to the value of hedged liabilities | (74,321) | (66,932) | (7,389) | 11.0% |
| **Total liabilities** | **(13,438)** | **(3,180)** | **(10,258)** | **n.a.** |

(Amounts in € thousand)

| Summary of hedging derivative valuations | Assets | Liabilities | Difference |
|---|---|---|---|
| Valuation of hedging derivatives for assets and liabilities | 1,266,080 | 72,552 | 1,193,528 |
| Change in macro fair value hedged of assets/liabilities | (244,095) | (74,320) | (169,775) |
| Change in micro fair value hedged of financial assets/liabilities | (1,016,867) | - | (1,016,867) |
| **Total** | **5,118** | **(1,768)** | **6,886** |

As at June 30th, 2023 the financial assets under macro-hedge consisted of mortgages to customers shown in “Financial assets at amortised cost”, while the financial liabilities under macro-hedge consisted of direct deposits from customers shown in “Financial liabilities at amortised cost”.

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

Positive and negative valuations of hedging derivatives related solely to derivative contracts that the Bank has entered to hedge against interest rate risk inherent in the above-mentioned assets and liabilities, whose hedging ineffectiveness amounts to + € 6.9 million, of which - € 5.1 million recognised in the income statement for the first half of 2023.

The negative change in asset hedging derivative contracts recognised in the first half of 2023 is attributable to both the closure of certain derivative contracts at the same time as the sale of the hedged debt securities and the reduction in the fair value of existing contracts.

# Main balance sheet aggregates

## Property, plant and equipment

**Property, plant and equipment** are made by properties, electronic equipment, office furniture and fittings, plant and machinery, including any "right of use" determined in accordance with IFRS 16.

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

(Amounts in € thousand)

| Property, plant and equipment | Balance 12/31/2022 | Investments 1st Half 2023 | Other changes and sales 1st Half 2023 | Amortisation and impairment 1st Half 2023 | Balance 06/30/2023 |
|---|---|---|---|---|---|
| Lands | 23,932 | - | - | - | 23,932 |
| Properties | 100,526 | 4,396 | 1,473 | (6,325) | 100,070 |
| Electronic equipment | 15,835 | 826 | (3) | (2,920) | 13,738 |
| Office furniture and fittings | 3,042 | 213 | (1) | (446) | 2,808 |
| Plant and machinery | 2,873 | 839 | 1 | (462) | 3,251 |
| **Total** | **146,208** | **6,274** | **1,470** | **(10,153)** | **143,799** |

It should be noted that the Properties includes the book value of € 38.9 million of the building in which the Bank's registered office is located, Milan, Piazza Durante 11 (€ 62.8 million including land under the item "Lands"), and the "right of use" relating to rental properties for an amount of € 61.2 million, determined in accordance with the provisions of IFRS 16.

## Goodwill

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

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

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

At June 30th, 2023, 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 June 30th, 2023, the Bank has assessed that the changes reasonably estimated in the forward-looking data used at December 31st, 2022 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 share has a market capitalisation at June 30th, 2023 of € 7,520 million, which is significantly higher than the consolidated equity and the result of the model used for the impairment test, confirming the reasonableness of the criteria applied in calculating value in use.

For more details on the impairment test and related sensitivity analyses, please refer to Part B - Information on the consolidated balance sheet - Section 10 - Intangible assets of the notes to the consolidated accounts of the financial statements at December 31st, 2022.

# Main balance sheet aggregates

## Other intangible assets

**Other intangible assets** include Fineco's trademarks and domains, amounting to € 27.5 million, and software with long-term usefulness, necessary to manage the evolution and the continuous offer by the Group of new and more versatile high-added-value services for customers, as well as infrastructure and application optimizations, improvements to the architecture dedicated to application security and developments needed to meet new regulatory and financial reporting requirements, amounting to € 8.3 million.

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

(Amounts in € thousand)

| Intangibles assets | Balance 12/31/2022 | Investments 1st Half 2023 | Other changes and sales 1st Half 2023 | Amortisation and impairment 1st Half 2023 | Balance 06/30/2023 |
|---|---|---|---|---|---|
| Software | 9,289 | 2,085 | 1 | (3,064) | 8,311 |
| Brands | 27,459 | - | - | - | 27,459 |
| Other intangible assets | 39 | - | - | (21) | 18 |
| **Total** | **36,787** | **2,085** | **1** | **(3,085)** | **35,788** |

## Tax credits acquired

**Tax credits acquired** include the carrying amount of tax credits purchased under Decree-Law 34/2020 and subsequent updates, for a carrying amount of € 1,341.8 million, up from € 1,093.3 million outstanding at December 31st, 2022 due to purchases made in the period, which were higher than the amount of offsets made in the first half of 2023. The item include both tax credits purchased because of assignment by direct beneficiaries and purchased as a result of assignment by previous purchasers. For further details see Part B – Consolidated Balance Sheet, Section 13 – Other assets – Item 130 of the notes to the accounts.

# Main balance sheet aggregates

## Tax Assets and Other Assets

(Amounts in € thousand)

| | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| **Tax assets** | | | | |
| Deferred tax assets | 48,493 | 47,823 | 670 | 1.4% |
| Deferred tax assets pursuant to Law 214/2011 | 1,615 | 2,407 | (792) | -32.9% |
| *Total before IAS 12 offsetting* | *50,108* | *50,230* | *(122)* | *-0.2%* |
| Offsetting with deferred tax liabilities - IAS 12 | (4,008) | (3,653) | (355) | 9.7% |
| **Total Tax assets** | **46,100** | **46,577** | **(477)** | **-1.0%** |
| **Other assets** | | | | |
| Trade receivables according to IFRS15 | 1,927 | 7,896 | (5,969) | -75.6% |
| Current receivables not related with the provision of financial services | 1,862 | 2,050 | (188) | -9.2% |
| Receivables due to disputed items not deriving from lending | 129 | 129 | - | n.a. |
| Improvement and incremental expenses incurred on leasehold assets | 3,000 | 3,691 | (691) | -18.7% |
| Definitive items not recognised under other items | 20,533 | 19,673 | 860 | 4.4% |
| - securities and coupons to be settled | 4,647 | 3,589 | 1,058 | 29.5% |
| - other transactions | 15,886 | 16,084 | (198) | -1.2% |
| Tax items other than those included in the item "Tax assets" | 232,104 | 295,937 | (63,833) | -21.6% |
| - tax advances | 226,707 | 290,700 | (63,993) | -22.0% |
| - tax credit | 5,397 | 5,237 | 160 | 3.1% |
| Items awaiting settlement | 7,506 | 4,153 | 3,353 | 80.7% |
| - notes, cheques and other documents | 7,506 | 4,153 | 3,353 | 80.7% |
| Items in processing | 7,790 | 7,753 | 37 | 0.5% |
| - POS, bancomat and Visa debit | 7,771 | 7,749 | 22 | 0.3% |
| - others | 19 | 4 | 15 | n.a. |
| Items in transit not allocated to relevant accounts | 1 | 1 | - | n.a. |
| Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities | 22,593 | 16,980 | 5,613 | 33.1% |
| Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities | 83,730 | 80,407 | 3,323 | 4.1% |
| **Total other assets** | **381,175** | **438,670** | **(57,495)** | **-13.1%** |

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

With regard to **Other Assets**, it should be noted a decrease in the item “Tax items other than those included in the item "Tax assets"”, in the amount of € 64 million, mainly determined by lower advances paid on December 2022 for the substitute tax on miscellaneous income. The increase of € 5.6 million in "Accrued income and prepaid expenses related to contracts with customers and other than capitalised in related financial assets or liabilities" is mainly due to the increase in prepaid expenses related to operating costs, while the item "Accrued income and prepaid expenses other than those related to contracts with customers and other than capitalised in related financial assets or liabilities" increased by € 3.3 million mainly due to the growth in prepaid expenses related to the extraordinary incentive treatment that the Bank grants to financial advisors joining the Network.

# Main balance sheet aggregates

## Deposits from banks

(Amounts in € thousand)

| | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| **Deposits from banks** | **1,299,539** | **1,677,235** | **(377,696)** | **-22.5%** |
| Current accounts and demand deposits | 1,038 | 7,812 | (6,774) | -86.7% |
| Loans | 72,071 | 55,321 | 16,750 | 30.3% |
| -Repos | 72,071 | 55,321 | 16,750 | 30.3% |
| Lease liabilities | 3,699 | 3,691 | 8 | 0.2% |
| Other liabilities | 1,222,731 | 1,610,411 | (387,680) | -24.1% |
| **Total** | **1,299,539** | **1,677,235** | **(377,696)** | **-22.5%** |

**Deposits from banks** amount to € 1,299.5 million and decreased by € 377.7 million compared to December 31st, 2022, mainly due to the reduction in variation margins received for derivative transactions as a result of the termination of certain hedging derivative contracts, as described above, and negative change in fair value recorded by hedging derivative contracts in the period.

The item "Current accounts and demand deposits" mainly consisted of current accounts opened by customer banks amouting to € 1 million (€ 7.7 million as at December 31, 2022).

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

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

The item "Other liabilities" mainly includes margin variations received for derivative transactions and securities lending transactions for an amount of € 1,222 million (€ 1,610.4 million as at December 31, 2022).

## Deposits from customers

(Amounts in € thousand)

| | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| Current accounts and demand deposits | 28,499,485 | 30,538,691 | (2,039,206) | -6.7% |
| Loans | 434,168 | 930,840 | (496,672) | -53.4% |
| - Repos | 434,168 | 930,840 | (496,672) | -53.4% |
| Lease liabilities | 59,751 | 59,660 | 91 | 0.2% |
| Other liabilities | 194,357 | 166,456 | 27,901 | 16.8% |
| **Deposits from customers** | **29,187,761** | **31,695,647** | **(2,507,886)** | **-7.9%** |

**Deposits from customers** totalled € 29,187.8 million, down € 2,507.9 million compared to December 31st, 2022, as a result of the reduction of € 2,039.2 million (-6.7%) in direct inflows from customers in current accounts, which flowed into assets under administration and assets under management products, and of repurchase agreements of - € 496.7 million (-53.4%) made by the Parent Company's treasury.

# Main balance sheet aggregates

The item “Loans - Repos” consist of:

- “*Short selling*” with retail customers and stock lending transactions with transactions institutional customers, securities lending transactions guaranteed by sums of money readily available to the lender and which are basically the equivalent of repos on securities, for an amount of € 103.5 million;
- repos on securities executed on Repo MTS market and settled through a Central Counterparty, subject to accounting offsetting as set out in IAS 32, for an amount of € 330.7 million.

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

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

The item “Other liabilities” comprises current payables related to the provision of financial services, totalling € 61.7 million (€ 51.1 million as at December 31st, 2022), initial and variations margins for derivative and financial instrument transactions, which came to € 60.5 million (€ 53.2 million as at December 31st, 2022) and other liabilities for rechargeable credit cards and bankers’ drafts, amounting to € 72.2 million (€ 62.1 million at December 31st, 2022).

## Debt securities in issue

Debt securities in issue amount to € 803.1 million (€ 497.9 million as at December 31st, 2022) and include exclusively the Senior Preferred instrument issued by FinecoBank in October 2021 for a nominal amount of € 500 million and in February 2023 for a nominal amount of € 300 million.

## Financial liabilities held for trading

**Financial liabilities held for trading** totalled € 8.5 million (€ 4.6 million as at December 31st, 2022) and include financial instruments that meets the definition of held for trading, in particular:

- technical overdrafts, amounting to € 1.9 million (€ 0.4 million as at December 31, 2022), used for the operational hedging of CFD positions on shares open with customers and intended to be traded in the short term;
- the negative valuation of spot contracts for securities in the held for trading portfolio and currencies to be settled in time frames established by market practices ("regular way") for € 3.2 million (€ 2.4 million as at December 31, 2022), which correspond to negative valuations booked under "Financial liabilities held for trading";
- the negative valuation of CFD derivatives, Knock Out Options and Certificates issued, traded in counterpart of the customers, as well as the regulated derivative contracts or contracts entered into with institutional counterparties for the purpose of hedging such derivative contracts on a managerial basis, for an overall amount of € 3.3 million (€ 1.8 million as at December 31, 2022).

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

# Main balance sheet aggregates

## Tax liabilities and Other liabilities

(Amounts in € thousand)

| | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| **Tax liabilities** | | | | |
| Current liabilities | 65,017 | 42,627 | 22,390 | 52.5% |
| Deferred tax liabilities | 4,008 | 3,653 | 355 | 9.7% |
| *Total before IAS 12 offsetting* | *69,025* | *46,280* | *22,745* | *49.1%* |
| Offset against deferred tax liabilities - IAS 12 | (4,008) | (3,653) | (355) | 9.7% |
| **Total Tax liabilities** | **65,017** | **42,627** | **22,390** | **52.5%** |
| **Other liabilities** | | | | |
| Payables to Directors and Statutory auditors | 287 | 241 | 46 | 19.1% |
| Payables to employees | 18,269 | 17,305 | 964 | 5.6% |
| Social security contributions payable | 6,884 | 7,717 | (833) | -10.8% |
| Current payables not related with the provision of financial services | 37,963 | 42,589 | (4,626) | -10.9% |
| Definitive items not recognised under other items | 178,901 | 45,955 | 132,946 | 289.3% |
| - securities and coupons to be settled | 11,852 | 10,318 | 1,534 | 14.9% |
| - payment authorisations | 152,703 | 24,480 | 128,223 | n.a. |
| - other items | 14,346 | 11,157 | 3,189 | 28.6% |
| Tax items other than those included in the item "Tax liabilities" | 53,016 | 55,995 | (2,979) | -5.3% |
| - sums withheld from third parties as withholding agent | 40,855 | 31,631 | 9,224 | 29.2% |
| - other | 12,161 | 24,364 | (12,203) | -50.1% |
| Illiquid items for portfolio transactions | 12,264 | 2,017 | 10,247 | n.a. |
| Items awaiting settlement | 97,778 | 130,091 | (32,313) | -24.8% |
| - outgoing bank transfers | 97,716 | 115,172 | (17,456) | -15.2% |
| - POS and ATM cards | 62 | 14,919 | (14,857) | -99.6% |
| Items in processing | 4,660 | 880 | 3,780 | n.a. |
| - incoming bank transfers | 4,628 | 808 | 3,820 | n.a. |
| - other items in processing | 32 | 72 | (40) | -55.6% |
| Deferred income other than those related to contracts with customers and other than capitalised in related financial assets or liabilities | 238 | 275 | (37) | -13.5% |
| Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities | 19,222 | 19,572 | (350) | -1.8% |
| Sums available to be paid to customers | 13,959 | 11,715 | 2,244 | 19.2% |
| Provisions for employee severance pay | 4,027 | 3,942 | 85 | 2.2% |
| Provisions for risks and charges | 106,526 | 105,365 | 1,161 | 1.1% |
| **Total Other liabilities** | **553,994** | **443,659** | **110,335** | **24.9%** |

The **Tax liabilities**, after IAS 12 offsetting, are represented exclusively by current tax liabilities, in the amount of € 65 million, which show a substantial increase mainly due to direct taxes to be paid. It should be noted that current and deferred "Tax liabilities", when the requirements of IAS 12 are met, are shown in the consolidated balance sheet offset against current and deferred "Tax assets", respectively.

With regard to **Other liabilities**, we highlight, in particular, the increase in the item "Definitive items not recognised under other items - payment authorisations" amounting to € 128.2 million, as a result of higher proxies to be paid on behalf of customers, the increase of item "Sums available to be paid to customers", which amounted to € 10.2 million, while "Items awaiting settlement" recorded a reduction of € 32.3 million as a result of less bank transfers and POS transaction to be settled.

# Main balance sheet aggregates

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

- Provisions for credit risk relating to commitments and guarantees issued, for an amount of € 129 thousand (€ 74 thousand as at December 31st, 2022);
- Provisions for risks and charges - Other provisions which include allowances for a total of € 106.4 million, for which, given a liability of uncertain amount and expiry date, a current obligation was identified as a result of a past event and the amount arising from fulfilment of said obligation could be estimated reliably.

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

(Amounts in € thousand)

| | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| **Provision for risks and charges for commitments and guarantees given** | **129** | **74** | **55** | **74.3%** |
| **Legal and fiscal disputes** | **27,424** | **27,417** | **7** | **0.0%** |
| - Pending cases | 20,013 | 19,661 | 352 | 1.8% |
| - Complaints | 3,945 | 4,339 | (394) | -9.1% |
| - Tax disputes | 3,466 | 3,417 | 49 | 1.4% |
| **Staff expenses** | **3,554** | **6,799** | **(3,245)** | **-47.7%** |
| **Other** | **75,419** | **71,075** | **4,344** | **6.1%** |
| - Supplementary customer indemnity provision | 73,592 | 68,584 | 5,008 | 7.3% |
| - provision for contractual payments and payments under non-competition agreements | 194 | 383 | (189) | -49.3% |
| - Other provision | 1,633 | 2,108 | (475) | -22.5% |
| **Provision for risks and charges - Other provision** | **106,397** | **105,291** | **1,106** | **1.1%** |
| **Total provision for risks and charges** | **106,526** | **105,365** | **1,161** | **1.1%** |

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

With reference to the Supplementary customers indemnity provision, it should be noted that the actuarial valuation as at June 30th, 2023 resulted in a increase in the provision of € 2.2 million, while in the first half of 2023 were recognised net provisions (service cost and interest expense) for € 4 million.

# Main balance sheet aggregates

## Shareholders' equity

(Amounts in € thousand)

| | Amounts as at | | Changes | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amount | % |
| Share capital | 201,508 | 201,340 | 168 | 0.1% |
| Share premium reserve | 1,934 | 1,934 | - | n.a. |
| Reserves | 899,315 | 778,211 | 121,104 | 15.6% |
| (Treasury shares) | (1,243) | (1,714) | 471 | -27.5% |
| Revaluation reserves | 1,063 | 2,121 | (1,058) | -49.9% |
| Equity instruments | 500,000 | 500,000 | - | n.a. |
| Net profit (Loss) for the year | 308,880 | 428,505 | (119,625) | -27.9% |
| **Total** | **1,911,457** | **1,910,397** | **1,060** | **0.1%** |

As at June 30th, 2023, the Bank's share capital came to € 201.5 million, divided into 610,631,635 ordinary shares with a par value of € 0.33 each. Share premium reserve amounts to € 1.9 million.

The reserves consisted of the:

- Legal reserve, amounting to € 40.3 million;
- Reserve for treasury shares held, amounting to € 1.2 million;
- Other reserves:
  - Reserve related to equity-settled plans, amounting to € 43.3 million;
  - Consolidation reserve, amounting to € 34.7 million;
  - Reserves of unavailable profits pursuant to Article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 2.2 million;
  - other profit reserves, amounting to € 777.6 million, of which € 86.4 million subject to a taxability restriction in the event of distribution, allocated as a result of the tax realignment of goodwill provided for by Article 110 of Decree-Law 104 of 2020.

Consolidated Shareholders' equity includes the following financial instrument:

- Additional Tier 1 issued on 31 January 2018. The financial instrument is a perpetual private placement[13], issued for a total of € 200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years had been fixed at 4.82%; starting on June 3rd, 2023, and for the next five years, the coupon was set at 7.363%. During the first half 2023 the payment of the related coupon had been accounted for in decrease of the Extraordinary reserve for € 3.5 million, net of the related taxation;
- Additional Tier 1 issued on 11 July 2019. The financial instrument is a perpetual public placement, traded on Euronext Dublin's non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of € 300 million. The coupon for the first 5 years has been fixed at 5.875%. During the first half 2023 the coupons paid were accounted for as a reduction in Extraordinary Reserve for an amount of € 6.4 million, net of related taxes.

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

- the allocation of
  - the fourth share tranche of the 2017 plan, awarded in 2018, corresponding to 27,426 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 9th, 2017, and subsequent meeting held on January 10th 2018;
  - the third share tranche of the 2018 plan and of the fourth share tranche of the severance payment agreed in 2018 for an executive with strategic responsibility, awarded in 2019, corresponding to overall 42,049 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2018;
  - the second and third share tranche of the 2019 plan, awarded in 2020, corresponding to 33,898 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2019;
  - the second share tranche of the 2020 plan, awarded in 2021, corresponding to 1,908 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 15th, 2020;

[13] Unrated and unlisted.

# Main balance sheet aggregates

- o the allocation of the first share tranche of the 2021 plan, awarded in 2022, corresponding to 64,324 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 19th, 2021;
  a free capital increase effective from March 31st, 2023 for a total amount of € 55,969.65 corresponding to 169,605 free FinecoBank ordinary shares with a nominal value of € 0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 11th 2018, April 10th 2019, April 28th 2020 and April 28th 2021 pursuant to Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.03% of the fully diluted capital;
- the allocation of the first, second and third share tranche of the "2018-2020 Long Term Incentive Plan", granted in 2018 and corresponding to 342,170 FinecoBank free ordinary shares, and subsequently, a free capital increase effective as of March 31st, 2023, for a total amount of € 112,916.10 in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 11st, 2018 pursuant to Article 2443 of the Italian Civil Code;
- the purchase of treasury shares, having obtained the authorisation from the Supervisory Authority, pursuant to Articles 77-78 EU 575/2013 of June 26th, 2013 (CRR) as amended by EU Reg. no. 876/2019, in accordance with the shareholder meeting resolution;

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

The FinecoBank Shareholders' Meeting held on April 27th, 2023 approved the allocation of the profit of FinecoBank S.p.A for the year 2022, amounting to € 422 million, as follows:

- to the 610,631,635 ordinary shares with a par value of € 0.33, constituting the share capital including 511,775 shares relating to the capital increase to support the employee incentive system approved by the Board of Directors on February 7th, 2023, a unit dividend of € 0.49 for a total of € 299.2 million;
- € 0.03 million to the Legal Reserve, corresponding to 0.008% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 0.7 million to the Unavailable Reserve pursuant to Article 6, Paragraph 1, Letter a) of Legislative Decree No. 38/2005;
- € 122 million to the Extraordinary Reserve.

The FinecoBank Shareholders' Meeting of April 27th, 2023 also approved the elimination of the negative reserve arising from the valuation of equity securities designated at fair value with an impact on comprehensive income by hedging the same with the use of the available extraordinary reserve in the amount of € 136.77. This reserve had been recognised following the sale transaction, effective as of September 27th, 2022, of the 20 shares of UniCredit Services S.C.p.A., held by FinecoBank for an amount of € 172.37 and sold for a consideration of € 35.6.

The portion of dividends not distributed in respect of treasury shares held by the Bank at the record date was transferred to the extraordinary reserve, amounting to € 0.04 million.

As at June 30th, 2023, the Group, specifically the Parent Company FinecoBank, held 91,459 shares of FinecoBank, in relation to the incentive plans for financial advisors, corresponding to 0.015% of the shares representing the share capital, for an amount of € 1.2 million. During the first half 2023, 31,000 shares, amounting to €0.5 million, were purchased in relation to the "2022 PFA incentive scheme" in favour of financial advisors identified as "Key Personnel" and 3,435, 8,227, 12,781, 45,380 and 6,197 FinecoBank ordinary shares, held in portfolio, under the "2021 PFA Incentive System", and "2018-2020 Long Term Incentive Plan" for FinecoBank Financial Advisors identified as "Key Personnel", for a total amount of € 1 million. Consequently, the Treasury shares reserve reduced by a total of € 0.5 million with a simultaneous increase in the Extraordinary reserve.

The "Reserve related to Equity Settled plans" increased by € 2.8 million as a result of the recognition, during the vesting period of the instruments, of the economic and equity effects, in accordance with International Financial Reporting Standard IFRS 2, of the share-based payment agreements and settled with FinecoBank ordinary shares and was used for € 1 million following the allocation to the financial advisors of the share tranches, previously mentioned, relating to the incentive system, for a total of 76,020 FinecoBank ordinary shares.

The Valuation reserve consist of:

- € -3.5 million from the net negative valuation reserve for debt securities issued by sovereign States accounted for in "Financial assets at fair value through other comprehensive income", which recorded a positive change of € 0.4 million during the first half 2023, due to the fair value change;
- € 4.6 million from the positive net reserve for defined benefit plans, which recorded a negative change of € 1.5 million in the first half 2023 due to the recognition of actuarial gains losses related to the provision for supplementary clientele severance indemnity.

# 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 06/30/2023 | of which: Net Profit 06/30/2023 |
|---|---|---|
| **FinecoBank balances** | **1,851,228** | **283,337** |
| Effect of consolidation of Fineco AM | 89,806 | 55,120 |
| Dividends from Fineco AM cashed in the period | (29,577) | (29,577) |
| Shareholders' equity and profit attributable to minorities | - | - |
| **Balances attributable to the Group** | **1,911,457** | **308,880** |

# Income Statement Figures

## Financial margin

**Financial margin** stood at € 328.3 million, up 86.1% compared to the first half of the previous year thanks to the contribution of Net interest.

**Net interest** in first half 2023 amounted to € 328.2 million, up € 201.2 million on the same period of previous year, mainly thanks to the growth in market interest rates, as a portion of loans and debt securities are sensitive to changes in interest rates, also thanks to the entering in derivative contracts to hedge interest rate risk, which provide for the collection of the variable rate and the payment of the fixed rate. The item Net interest also includes income generated by securities lending activities carried out by the Parent Company's treasury, amounting to € 2.6 million (€ 2.5 million in the first half 2022).

**Profits from Treasury** amounted to € 0.1 million and only include net gains generated from the sale of securities accounted for in "Financial assets at amortised cost" (€49.1 million in the first half 2022). It should be noted that the item in the first half 2022 included also the net gains generated from the sale of securities accounted for in "Financial assets at fair value through comprehensive income" of € 0.3 million. The sales took place in accordance with IFRS9 and in application of the rules defined for the HTC business model.

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

(Amounts in € thousand)

| Interest Income | 1st Half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Amount | % |
| Financial assets at fair value through comprehensive income | 125 | 86 | 39 | 45.3% |
| Other financial assets mandatorily at fair value | 3 | 2 | 1 | 50.0% |
| Financial assets at amortised cost - Debt securities issued by banks | 30,591 | 20,284 | 10,307 | 50.8% |
| Financial assets at amortised cost - Debt securities issued by customers | 118,437 | 78,461 | 39,976 | 51.0% |
| Financial assets at amortised cost - Loans and receivables to banks | 6,211 | 220 | 5,991 | n.a. |
| Financial assets at amortised cost - Loans and receivables to customers | 84,208 | 40,991 | 43,217 | 105.4% |
| Hedging derivatives | 97,707 | (24,796) | 122,503 | n.a. |
| Other assets | 33,835 | 5,388 | 28,447 | n.a. |
| Financial liabilities | 81 | 8,880 | (8,799) | -99.1% |
| Other financial margins from Treasury activities | 2,618 | 2,501 | 117 | 4.7% |
| **Total interest income** | **373,816** | **132,017** | **241,799** | **183.2%** |

**Interest income on Financial assets at fair value through comprehensive income** show no significant changes compared to the first half of 2022.

**Interest income on Financial assets at amortised cost - Debt securities issued by banks** recorded an increase of €10.3 million (+50.8%), due, in particular, to the increase in interest rates on variable-rate securities and included, in particular, interest accrued on bonds issued by UniCredit S.p.A..

**Interest income on Financial assets at amortised cost - Debt securities issued by customers** mainly refer to interest accrued on government, supranational institution securities and local authorities. The increase (+51%) is mainly attributable to the increase in market interest rates.

**Hedging derivatives** include the positive and negative differentials of derivative contracts entered into to hedge interest rate risk on loans lent to customers and debt securities accounted for in “Financial assets at amortised cost”, which provide for the payment of the fixed rate and the collection of the indexed rate, and direct funding from customers accounted for in “Financial liabilities at amortised cost”, which provide for the payment of the indexed rate and the collection of the fixed rate. The previously mentioned increase in market rates led to positive change in differentials of € 122.5 million.

**Interest income recognised in Other assets** includes interest accrued on purchased tax credits in the amount of € 13 million (€5.2 million in the first half 2022) and interest accrued on sight receivables from banks and central banks recognised in "Cash and cash balances" in the amount of € 20.8 million (€0.2 million as at June 30th, 2022).

# Income Statement Figures

**Interest income recognised on Financial liabilities** was essentially zero as a result of the trend in market interest rates. It should be noted, in fact, that the negative interest rates recognised in the first half of 2022 had led to the recognition of interest income on TLTRO III transactions, in the amount of €5.3 million, on repurchase agreements made on the Repo MTS market, in the amount of € 1.6 million, and on passive stock lending transactions, variation margins and cash collateral received, in the amount of € 2 million.

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

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

(Amounts in € thousand)

| Breakdown of interest income | 1st Half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Amount | % |
| **Interest income on loans and receivables to banks** | **6,211** | **220** | **5,991** | **n.a.** |
| - reverse repos | 7 | 1 | 6 | n.a. |
| - time deposit for compulsory reserves | 4,201 | - | 4,201 | n.a. |
| - time deposits | 1,494 | 219 | 1,275 | n.a. |
| - other loans and cash collaterals | 509 | - | 509 | n.a. |
| **Interest income on loans and receivables to customers** | **84,208** | **40,991** | **43,217** | **105.4%** |
| - current accounts | 40,336 | 9,147 | 31,189 | n.a. |
| - reverse repos | 7,871 | 6,387 | 1,484 | 23.2% |
| - mortgages | 20,636 | 14,284 | 6,352 | 44.5% |
| - credit cards | 1,957 | 1,951 | 6 | 0.3% |
| - personal loans | 10,888 | 9,205 | 1,683 | 18.3% |
| - other loans and cash collaterals | 2,520 | 17 | 2,503 | n.a. |

**Interest income on loans and receivables to banks** amounted to € 6.2 million, increasing of € 6 million compared to the first half of 2022 mainly due to higher interest on the time deposit, including the deposit for reserve requirements, because of the growth in interest market rates.

**Interest income on loans and receivables to customers** amounted to € 84.2 million, increasing of € 43.2 million (+105.4%) compared to the first half of the previous year, because of the growth in interest market rates from which almost all forms of lending benefited and, in particular, current account overdrafts (+€ 31.2 million).

# Income Statement Figures

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

(Amounts in € thousand)

| Interest Expenses | 1st Half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Amount | % |
| Financial liabilities at amortised cost - Deposits from banks | (19,445) | (51) | (19,394) | n.a. |
| Financial liabilities at amortised cost - Deposits from customers | (19,078) | (1,094) | (17,984) | n.a. |
| Debt securities in issue | (6,478) | (1,567) | (4,911) | n.a. |
| Financial assets | (619) | (2,344) | 1,725 | -73.6% |
| **Total interest expenses** | **(45,620)** | **(5,056)** | **(40,564)** | **n.a.** |
| **Net interest** | **328,196** | **126,961** | **201,235** | **158.5%** |
| **Profits from Treasury management** | **82** | **49,446** | **(49,364)** | **-99.8%** |
| **Financial margin** | **328,278** | **176,407** | **151,871** | **86.1%** |

**Interest expenses on Debt Securities in issue** refers to interest accrued on the Senior Preferred Bonds issued by FinecoBank the increase of which is attributable to interest accrued on the bond issued during the first half of 2023.

**Interest expenses on financial** mainly refer to the negative interest recognised on certain securities owned, which decreased by €1.7 million compared to the first half of 2022. It should be noted, in fact, that the negative interest rates recognised in the first half of 2022 had also led to the recognition of interest expense on cash collateral paid for transactions in derivatives and financial markets.

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

(Amounts in € thousand)

| Breakdown of interest expenses | 1st Half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Amount | % |
| **Interest expenses on deposits from banks** | **(19,445)** | **(51)** | **(19,394)** | **n.a.** |
| - correspondent current accounts | (19) | (3) | (16) | n.a. |
| - demand deposits and cash collaterals | (18,406) | - | (18,406) | n.a. |
| - other current accounts | (4) | (5) | 1 | -20.0% |
| - reverse repos | (976) | - | (976) | n.a. |
| - lease liabilities | (40) | (43) | 3 | -7.0% |
| **Interest expenses on deposits from customers** | **(19,078)** | **(1,094)** | **(17,984)** | **n.a.** |
| - current accounts | (8,046) | (655) | (7,391) | n.a. |
| - reverse repos | (10,423) | - | (10,423) | n.a. |
| - lease liabilities | (609) | (439) | (170) | 38.7% |

**Interest expenses on deposits from banks** amounted to € 19.4 million, up of the same amount compared to the first half of 2022 mainly due to interest expense recognised on cash collateral received for derivative transactions. In the first half of 2022, the same transactions had generated interest income, recognised in interest income on financial liabilities, due to negative interest rates.

**Interest expenses on deposits from customers** amounted to € 19.1 million, showing an increase of € 18 million compared to the same period of previous year, mainly due to higher interest expenses on a cluster of customer current accounts in currencies other than the euro interest-bearing, and on funding transactions carried out through repo transactions on the MTS Repo Market.

# Income Statement Figures

## Income from brokerage and other income

(Amounts in € thousand)

| | 1st Half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Amounts | % |
| Financial margin | 328,278 | 176,407 | 151,871 | 86.1% |
| Dividends and other income from equity investments | (6) | (148) | 142 | -95.9% |
| Net fee and commission income | 242,125 | 232,514 | 9,611 | 4.1% |
| Net trading, hedging and fair value income | 30,079 | 54,843 | (24,764) | -45.2% |
| Net other expenses/income | 216 | 416 | (200) | -48.1% |
| **REVENUES** | **600,692** | **464,032** | **136,660** | **29.5%** |

## Dividends and other income from equity investments

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

## Net fee and commission income

(Amounts in € thousand)

| Management reclassification | 1st half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Assoluta | % |
| **Brokerage** | **55,488** | **56,868** | **(1,380)** | **-2.4%** |
| *of which:* | | | | |
| - Equity | 38,907 | 46,478 | (7,571) | -16.3% |
| - Bond | 8,997 | 3,597 | 5,400 | 150.1% |
| - Derivatives | 5,630 | 6,282 | (652) | -10.4% |
| - Other commissions | 1,954 | 511 | 1,443 | 282.4% |
| **Investing** | **156,479** | **149,317** | **7,162** | **4.8%** |
| *of which:* | | | | |
| - Placement fees | 1,730 | 3,068 | (1,338) | -43.6% |
| - Management fees | 193,138 | 184,977 | 8,161 | 4.4% |
| - Other to PFA | (38,389) | (38,728) | 338 | -0.9% |
| **Banking** | **30,158** | **26,329** | **3,829** | **14.5%** |
| **Total** | **242,125** | **232,514** | **9,611** | **4.1%** |

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

**Net fee and commission income** increased by € 9.6 million compared to the first half of previous year, mainly thanks to the fees and commissions generated by the Investing segment (+€ 7.2 million), thanks to the increased contribution of Fineco AM and higher net margins on asset management products. During the first half of the year, the subsidiary Fineco AM generated net fees of € 73.5 million. In addition, it should be noted the growth in net fees and commission generated by the Banking segment (+ € 3.8 million), while net fees and commissions related to Brokerage recorded a slight decrease (-€ 1.4 million).

**Net trading, hedging and fair value income** amounted to € 30.1 and shows a decrease of € 24.8 compared to same period of the previous year. The item mainly includes profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivative contracts and the exchange differences on assets and liabilities denominated in currency. The item also includes the ineffectiveness component of hedging transactions, amounting to € -5.1 million (+€ 11.7

# Income Statement Figures

million in the first half 2022), determined by the application of different curves different curves for the fair value measurement of hedging derivatives and hedged items in fair value hedge transactions. This result also includes the income components from financial instruments recognised under “Other financial assets mandatorily at fair value”, which include the Visa INC Class “C” and “A” preferred shares, whose fair value measurement resulted in a positive result of € 0.6 million in the first half 2023 (€ -0.5 million in the first half 2022).

**Net other expenses/income** is positive for € 0.2 million and no significant changes compared to the first half 2022.

## Operating costs

(Amounts in € thousand)

| | 1st Half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Amount | % |
| Staff expenses | (60,378) | (57,538) | (2,840) | 4.9% |
| Other administrative expenses | (147,357) | (134,364) | (12,993) | 9.7% |
| Recovery of expenses | 76,457 | 69,063 | 7,394 | 10.7% |
| Impairment/write-backs on intangible and tangible assets | (13,237) | (13,191) | (46) | 0.3% |
| **Total operating costs** | **(144,515)** | **(136,030)** | **(8,485)** | **6.2%** |

**Operating costs** increased by 6.2% compared to the previous half of 2022, partly determined by costs closely linked to business growth (activities, assets, customers, structure and staff), certified by the cost/income ratio, which stood at 24.1% (29.3% at June 30th, 2022).

**Staff expenses** amounted to € 60.4 million, of which € 5.4 million relating to staff expenses of Fineco AM, increasing by 4.9% compared to the first half of previous year, thanks to continuous growth of the operating structure. In fact, the number of employees rose from 1,316 resources as at June 30th, 2022 to 1,354 resources as at June 30th, 2023.

(Amounts in € thousand)

| **Staff expenses** | 1st Half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Amount | % |
| **1) Employees** | **(59,153)** | **(56,473)** | **(2,680)** | **4.7%** |
| - wages and salaries | (39,712) | (38,555) | (1,157) | 3.0% |
| - social security contributions | (9,676) | (9,148) | (528) | 5.8% |
| - provision for employee severance pay | (369) | (381) | 12 | -3.2% |
| - allocation to employee severance pay provision | (93) | (57) | (36) | 63.2% |
| - payment to supplementary external pension funds: | (2,881) | (2,661) | (220) | 8.3% |
| a) defined contribution | (2,881) | (2,661) | (220) | 8.3% |
| - costs related to share-based payments* | (2,418) | (2,491) | 73 | -2.9% |
| - other employee benefits | (4,004) | (3,180) | (824) | 25.9% |
| **2) Directors and statutory auditors** | **(1,228)** | **(1,068)** | **(160)** | **15.0%** |
| **3) Recovery of expenses for employees seconded to other companies** | **3** | **3** | **-** | **n.a.** |
| **Total staff expenses** | **(60,378)** | **(57,538)** | **(2,840)** | **4.9%** |

It should be noted that the item "other employee benefits" includes the cost of luncheon vouchers, which increased by € 0.4 million.

# Income Statement Figures

(Amounts in € thousand)

| Other Administrative Expenses and Recovery of expenses | 1st Half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Amount | % |
| **1) INDIRECT TAXES AND DUTIES** | **(80,523)** | **(71,723)** | **(8,800)** | **12.3%** |
| **2) MISCELLANEOUS COSTS AND EXPENSES** | | | | |
| **A) Advertising expenses - Marketing and communication** | **(15,044)** | **(13,720)** | **(1,324)** | **9.7%** |
| Mass media communications | (11,750) | (11,893) | 143 | -1.2% |
| Marketing and promotions | (2,962) | (1,611) | (1,351) | 83.9% |
| Sponsorships | (227) | (212) | (15) | 7.1% |
| Conventions and internal communications | (105) | (4) | (101) | n.a. |
| **B) Expenses related to credit risk** | **(924)** | **(819)** | **(105)** | **12.8%** |
| Credit recovery expenses | (255) | (183) | (72) | 39.3% |
| Commercial information and company searches | (669) | (636) | (33) | 5.2% |
| **C) Indirect expenses related to personnel and to personal financial advisors** | **(2,133)** | **(1,290)** | **(843)** | **65.3%** |
| Other staff expenses | (786) | (333) | (453) | 136.0% |
| Personal financial advisors expenses | (1,347) | (957) | (390) | 40.8% |
| **D) ICT expenses** | **(28,125)** | **(25,904)** | **(2,221)** | **8.6%** |
| Lease of ICT equipment and software | (1,126) | (1,162) | 36 | -3.1% |
| Software expenses: lease and maintenance | (7,484) | (6,593) | (891) | 13.5% |
| ICT communication systems, messaging and phone expenses | (3,043) | (3,111) | 68 | -2.2% |
| Consultancy and ICT services provided by third parties | (7,560) | (6,711) | (849) | 12.7% |
| Financial information providers | (8,912) | (8,327) | (585) | 7.0% |
| **E) Consultancies and professional services** | **(2,181)** | **(2,145)** | **(36)** | **1.7%** |
| Consultancies and professional services | (1,729) | (1,782) | 53 | -3.0% |
| Legal expenses and disputes | (170) | (63) | (107) | 169.8% |
| Auditing company expenses | (282) | (300) | 18 | -6.0% |
| **F) Furniture, machinery and equipment expenses and Real estate expenses** | **(2,813)** | **(2,948)** | **135** | **-4.6%** |
| Repair and maintenance of furniture, machinery, and equipment | (145) | (127) | (18) | 14.2% |
| Maintenance and cleaning of premises | (720) | (692) | (28) | 4.0% |
| Premises rentals | (384) | (460) | 76 | -16.5% |
| Utilities and condominium expenses | (1,564) | (1,669) | 105 | -6.3% |
| **G) Other functioning costs** | **(14,798)** | **(14,836)** | **38** | **-0.3%** |
| Postage and transport of documents | (1,685) | (1,596) | (89) | 5.6% |
| Administrative, logistic and call center services | (7,636) | (7,964) | 328 | -4.1% |
| Insurance | (2,088) | (2,161) | 73 | -3.4% |
| Association dues and fees | (2,126) | (1,732) | (394) | 22.7% |
| Other administrative expenses | (1,263) | (1,383) | 120 | -8.7% |
| **H) Adjustments of leasehold improvements** | **(816)** | **(979)** | **163** | **-16.7%** |
| **I) Recovery of costs** | **76,457** | **69,063** | **7,394** | **10.7%** |
| Recovery of ancillary expenses | 176 | 679 | (503) | -74.1% |
| Recovery of taxes | 76,281 | 68,384 | 7,897 | 11.5% |
| **Total other administrative expenses and recovery of expenses** | **(70,900)** | **(65,301)** | **(5,599)** | **8.6%** |

**Other administrative expenses** net of **Recovery of expenses** came to € 70.9 million, with an increase of € 5.6 million compared to the first half of previous year. In particular, it should be noted:

- "ICT expenses" increased by € 2.2 million, among which it is highlighted the increase in "Software expenses: lease and maintenance" for € 0.9 million, "Consultancy and ICT services provided by third parties" for € 0.8 million and in "Financial information providers" for € 0.6 million, functional to the Group's operations;
- "Advertising expenses - Marketing and communication", up by € 1.3 million due, in particular, to higher marketing and promotional expenses.

# Income Statement Figures

The item "Indirect taxes and duties", net of "Tax recoveries", increased by € 0.9 million, mainly due to higher charges for Tobin tax.

**Impairment/write-backs on intangible and tangible assets** amount to €13.2 million and show no significant changes compared to the first half of 2022.

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

(Amounts in € thousand)

| | 1st Half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Amount | % |
| **OPERATING PROFIT (LOSS)** | **456,177** | **328,002** | **128,175** | **39.1%** |
| Net impairment losses on loans and provisions for guarantees and commitments | (2,079) | (1,225) | (854) | 69.7% |
| **NET OPERATING PROFIT (LOSS)** | **454,098** | **326,777** | **127,321** | **39.0%** |
| Other charges and provisions | (12,006) | (12,498) | 492 | -3.9% |
| Net income from investments | (581) | (754) | 173 | -22.9% |
| **PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **441,511** | **313,525** | **127,986** | **40.8%** |

**Net write-downs of loans and provisions for guarantees and commitments** in the first half 2023 amounted to -€ 2.1 million (-€ 1.2 million in the first half 2022) and benefit of a positive effect deriving from changes in the macroeconomic scenario for an amount of approximately € 0.4 million (+ € 0.8 million in first half 2022), determined on the basis of the evidence resulting from the IFRS9 impairment models.

**Other charges and provisions** amounted to € 12 million, down 3.9% on the first half 2022. It should be noted that the ordinary contribution required for the year 2023 under Directive 2014/59/EU (Single Resolution Fund) in the amount of € 6.6 million was recognised in the first half of 2023 (€ 7.6 million in the first half of 2022).

**Net income from investments** amounted to € -0.6 million, with a negative effect deriving from changes in the macroeconomic scenario for an amount of approximately € 0.6 million (+ € 0.1 million in first half 2022), determined on the basis of the evidence resulting from the IFRS9 impairment models

**Profit (loss) before tax from continuing operations** amounted to € 441.5 million, increasing by 40.8% on the same period of the previous year (+40.7% excluding the non-recurring items of first half of 2022[14]). The result was achieved, mainly, thanks to the increase in Financial Margin (+€ 151.9 million) and in Net fee and commissions income (+€ 9.6 million), partially offset by in Net trading, hedging and fair value income (-€ 24.8 million), and by higher Operating Cost (+€ 8.5million).

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

# Income Statement Figures

## Income tax for the period

(Amounts in € thousand)

| Income tax for the period | 1st Half | | Changes | |
|---|---|---|---|---|
| | 2023 | 2022 | Amount | % |
| Current IRES income tax charges | (101,799) | (68,813) | (32,986) | 47.9% |
| Current IRAP corporate tax charges | (22,453) | (15,635) | (6,818) | 43.6% |
| Current foreign corporate tax charges | (7,991) | (6,943) | (1,048) | 15.1% |
| **Total current tax** | **(132,243)** | **(91,391)** | **(40,852)** | **44.7%** |
| Change in deferred tax assets | 41 | 606 | (565) | -93.2% |
| Change in deferred tax liabilities | (429) | (377) | (52) | 13.8% |
| **Total deferred tax liabilities** | **(388)** | **229** | **(617)** | **n.a.** |
| **Income tax for the period** | **(132,631)** | **(91,162)** | **(41,469)** | **45.5%** |

**Income tax for the period** were calculated according to the legal provisions introduced by Legislative Decree no. 38 of February 28th, 2005, which incorporated the IAS/IFRS Accounting Standards into Italian legislation, of Decree no. 48 of April 1st, 2009 which introduced provisions for the implementation and coordination of tax requirements for IAS Adopter parties and subsequent provisions. In particular, in 2019 the decree issued by the Italian Ministry of the Economy and Finance on 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 June 28th, 2019, n. 58 (so-called Growth Decree).

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

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

## Net profit (loss) for the 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 € 308.9 million, with an increase of 38.9% on the first half 2022 (+38.8% excluding the non-recurring items accounted for in first half 2022[15]).

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

# Results of the parent and the subsidiary

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

The key figures, reclassified Balance sheet and Income statement are shown 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 | | |
|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | 06/30/2022 |
| No. Employees | 1,288 | 1,279 | 1,266 |
| No. Personal financial advisors | 2,952 | 2,918 | 2,887 |
| No. Financial shops [1] | 425 | 426 | 423 |

(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 | |
|---|---|---|---|---|
| | 06/30/2023 | 12/31/2022 | Amounts | % |
| Loans receivable to ordinary customers [1] | 5,745,023 | 5,916,089 | (171,066) | -2.9% |
| Total assets | 33,733,449 | 36,208,289 | (2,474,840) | -6.8% |
| Direct deposits [2] | 28,510,165 | 30,569,876 | (2,059,711) | -6.7% |
| Assets under administration [3] | 87,370,402 | 75,987,994 | 11,382,408 | 15.0% |
| Total customers sales (direct and indirect) | 115,880,567 | 106,557,870 | 9,322,697 | 8.7% |
| Shareholders' equity | 1,851,227 | 1,875,711 | (24,484) | -1.3% |

(1) Loans receivable to ordinary customers refer solely to loans granted to customers (current account overdrafts, credit cards, personal loans, mortgages and unsecured loans);
(2) Direct deposits include overdrawn current accounts;
(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 | |
|---|---|---|
| | 06/30/2023 | 12/31/2022 |
| Loans receivable to ordinary customers/Total assets | 17.03% | 16.34% |
| Loans and receivables to banks/Total assets | 1.14% | 1.15% |
| Financial assets/Total assets | 67.04% | 68.04% |
| Direct sales/Total liabilities and Shareholders' equity | 84.52% | 84.43% |
| Shareholders' equity (including profit)/Total liabilities and Shareholders' equity | 5.49% | 5.18% |
| Ordinary customer loans/Direct deposits | 20.15% | 19.35% |

| Credit quality | Data as at | |
|---|---|---|
| | 06/30/2023 | 12/31/2022 |
| Non-performing loans/Loans receivable to ordinary customers | 0.09% | 0.06% |
| Bad loans/Loans receivable to ordinary customers | 0.03% | 0.02% |
| Coverage ratio[1] - Bad loans | 91.29% | 92.65% |
| Coverage ratio[1] - Unlikely to pay | 68.32% | 68.13% |
| Coverage ratio[1] - Impaired past-due exposures | 46.13% | 57.92% |
| Coverage ratio[1] - Total Non-performing loans | 79.48% | 86.02% |

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

### Own funds and capital ratios

| | Data as at | |
|---|---|---|
| | 06/30/2023 | 12/31/2022 |
| Common Equity Tier 1 Capital (€ thousand) | 1,010,014 | 952,411 |
| Total Own Funds (€ thousand) | 1,510,014 | 1,452,411 |
| Total risk-weighted assets (€ thousand) | 4,556,080 | 4,689,014 |
| Ratio - Common Equity Tier 1 Capital | 22.17% | 20.31% |
| Ratio - Tier 1 Capital | 33.14% | 30.97% |
| Ratio - Total Own Funds | 33.14% | 30.97% |

| | Data as at | |
|---|---|---|
| | 06/30/2023 | 12/31/2022 |
| Tier 1 Capital (€ thousand) | 1,510,014 | 1,452,411 |
| Exposure for leverage (€ thousand) | 33,466,336 | 36,782,307 |
| Leverage ratio | 4.51% | 3.95% |

# Results of the parent and the subsidiary

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

The Bank's prudential requirements as at 30 June 2023 were determined on the basis of the harmonized regulation for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and in Regulation (EU) 575/2013 (CRR) of June 26, 2013 and subsequent Directives/Regulations amending their content, in particular Directive (EU) 878/2019 (CRD V), Regulation (EU) 876/2019 (CRR II) and Regulation (EU) 873/2020 of the European Parliament and of the Council (CRR Quick-fix), which transpose into the European Union the standards defined by the Basel Committee on Banking Supervision (Basel III framework), collected and implemented by the Bank of Italy through Circular No. 285 of 17 December 2013 "Supervisory Provisions for Banks" and subsequent updates.

As at 30 June 2023 the Own funds amounted to € 1,510 million and consisted of Common Equity Tier 1 (CET 1) and Additional Tier 1 capital; there were no Tier 2 capital items. The interim profits included in Common Equity Tier 1 Capital at June 30th, 2023 were calculated considering foreseeable dividends in the amount of € 216.2 million and foreseeable charges in the amount of € 1.7 million represented by accrued coupons, net of the relevant taxation, accrued on Additional Tier 1 financial instruments issued by FinecoBank, assuming that the conditions set forth in Article 26(2) of EU Regulation 575/2013 (CRR) are met.

The decrease in Risk-Weighted Assets during the first half of 2023 is mainly attributable to the reduction in credit risk, in particular lending to customers and counterparty risk related to the reduction in securities lending transactions carried out by the Parent Company's Treasury.

As at 30 June 2023, the financial leverage ratio stood at 4.51%, up from 3.95% recorded as at 31 December 2022, thanks to the reduction in overall exposure, mainly driven by lower assets on the balance sheet, also due to a reduction in direct customer deposits, and to profits for the period recognised in Tier 1 Capital.

# Results of the parent and the subsidiary

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

### Condensed Accounts

#### Balance sheet

(Amounts in € thousand)

| ASSETS | Amounts as at 06/30/2023 | Amounts as at 12/31/2022 | Changes Amounts | Changes % |
|---|---|---|---|---|
| Cash and cash balances | 1,482,349 | 1,438,427 | 43,922 | 3.1% |
| Financial assets held for trading | 16,868 | 16,926 | (58) | -0.3% |
| Loans and receivables to banks | 385,640 | 416,733 | (31,093) | -7.5% |
| Loans and receivables to customers | 6,168,419 | 6,426,087 | (257,668) | -4.0% |
| Financial investments | 22,615,698 | 24,636,590 | (2,020,892) | -8.2% |
| Hedging instruments | 1,028,822 | 1,424,705 | (395,883) | -27.8% |
| Property, plant and equipment | 141,829 | 144,102 | (2,273) | -1.6% |
| Goodwill | 89,602 | 89,602 | - | n.a. |
| Other intangible assets | 35,761 | 36,734 | (973) | -2.6% |
| Tax assets | 45,977 | 46,467 | (490) | -1.1% |
| Tax credits acquired | 1,341,774 | 1,093,255 | 248,519 | 22.7% |
| Other assets | 380,710 | 438,661 | (57,951) | -13.2% |
| **Total assets** | **33,733,449** | **36,208,289** | **(2,474,840)** | **-6.8%** |

(Amounts in € thousand)

| LIABILITIES AND SHAREHOLDERS' EQUITY | Amounts as at 06/30/2023 | Amounts as at 12/31/2022 | Changes Amounts | Changes % |
|---|---|---|---|---|
| Deposits from banks | 1,299,539 | 1,677,235 | (377,696) | -22.5% |
| Deposits from customers | 29,174,000 | 31,679,857 | (2,505,857) | -7.9% |
| Debt securities in issue | 803,054 | 497,926 | 305,128 | 61.3% |
| Financial liabilities held for trading | 8,538 | 4,575 | 3,963 | 86.6% |
| Hedging instruments | (13,438) | (3,180) | (10,258) | n.a. |
| Tax liabilities | 63,764 | 41,865 | 21,899 | 52.3% |
| Other liabilities | 546,765 | 434,300 | 112,465 | 25.9% |
| Shareholders' equity | 1,851,227 | 1,875,711 | (24,484) | -1.3% |
| *- capital and reserves* | *1,566,827* | *1,451,605* | *115,222* | 7.9% |
| *- revaluation reserves* | *1,063* | *2,121* | *(1,058)* | -49.9% |
| *- net profit* | *283,337* | *421,985* | *(138,648)* | -32.9% |
| **Total liabilities and Shareholders' equity** | **33,733,449** | **36,208,289** | **(2,474,840)** | **-6.8%** |

# Results of the parent and the subsidiary

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

### Balance sheet - Quarterly data

(Amounts in € thousand)

| ASSETS | Amounts as at 06/30/2023 | 03/31/2023 | 12/31/2022 | 09/30/2022 | 06/30/2022 |
|---|---|---|---|---|---|
| Cash and cash balances | 1,482,349 | 1,394,252 | 1,438,427 | 1,674,851 | 1,516,548 |
| Financial assets held for trading | 16,868 | 15,730 | 16,926 | 22,285 | 20,020 |
| Loans and receivables to banks | 385,640 | 415,934 | 416,733 | 393,061 | 385,244 |
| Loans and receivables to customers | 6,168,419 | 6,273,273 | 6,426,087 | 6,285,560 | 6,278,481 |
| Financial investments | 22,615,698 | 24,352,759 | 24,636,590 | 25,070,867 | 25,296,891 |
| Hedging instruments | 1,028,822 | 1,300,265 | 1,424,705 | 1,390,127 | 948,764 |
| Property, plant and equipment | 141,829 | 140,630 | 144,102 | 141,071 | 144,685 |
| Goodwill | 89,602 | 89,602 | 89,602 | 89,602 | 89,602 |
| Other intangible assets | 35,761 | 35,835 | 36,734 | 36,535 | 37,445 |
| Tax assets | 45,977 | 46,860 | 46,467 | 57,999 | 43,588 |
| Tax credits acquired | 1,341,774 | 1,313,546 | 1,093,255 | 902,259 | 827,217 |
| Other assets | 380,710 | 413,082 | 438,661 | 381,732 | 414,929 |
| **Total assets** | **33,733,449** | **35,791,768** | **36,208,289** | **36,445,949** | **36,003,414** |

(Amounts in € thousand)

| LIABILITIES AND SHAREHOLDERS' EQUITY | Amounts as at 06/30/2023 | 03/31/2023 | 12/31/2022 | 09/30/2022 | 06/30/2022 |
|---|---|---|---|---|---|
| Deposits from banks | 1,299,539 | 1,605,506 | 1,677,235 | 2,791,260 | 2,333,322 |
| Deposits from customers | 29,174,000 | 30,863,823 | 31,679,857 | 30,930,308 | 30,814,330 |
| Debt securities in issue | 803,054 | 798,748 | 497,926 | 499,629 | 498,833 |
| Financial liabilities held for trading | 8,538 | 7,208 | 4,575 | 8,976 | 7,104 |
| Hedging instruments | (13,438) | (7,885) | (3,180) | (3,584) | 2,581 |
| Tax liabilities | 63,764 | 100,826 | 41,865 | 80,157 | 118,430 |
| Other liabilities | 546,765 | 426,306 | 434,300 | 424,977 | 573,037 |
| Shareholders' equity | 1,851,227 | 1,997,236 | 1,875,711 | 1,714,226 | 1,655,777 |
| *- capital and reserves* | *1,566,827* | *1,874,407* | *1,451,605* | *1,460,057* | *1,458,925* |
| *- revaluation reserves* | *1,063* | *2,070* | *2,121* | *2,651* | *(174)* |
| *- net profit* | *283,337* | *120,759* | *421,985* | *251,518* | *197,026* |
| **Total liabilities and Shareholders' equity** | **33,733,449** | **35,791,768** | **36,208,289** | **36,445,949** | **36,003,414** |

**Cash and cash balances,** amounting to € 1.482,3 million and up of € 43.9 million compared to December 31, 2022 (€ 1,438.4 million), is mainly consisted of the overnight deposit at the Bank of Italy, for a total amount of € 1,197.5 million, the liquidity deposited with the Bank of Italy net of the stock related to the minimum reserve requirement allocated for the current reporting period, which is represented in the item Loans and receivables to banks, in the amount of € 0.9 million, as well as liquidity deposited on current accounts with credit institutions for the settlement of payment transactions, for the settlement of securities transactions, for the management of the liquidity of UK customers, for an amount of € 284 million.

**Loans and receivables to banks,** came to € 385.6 million, showing a reduction of € 31.1 million compared to December 31, 2022.

**Loans and receivables to customers** came to € 6,168.4 million, show a decrease of €257.7 million compared to December 31, 2022 mainly due to the reduction of current account overdrafts and initial margins at clearing organisations. During the first half 2023, € 111 million in personal loans and

# Results of the parent and the subsidiary

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

€ 94 million in mortgages were granted and € 651 million in current account overdrafts were arranged, of which € 641 million granted. Impaired loans net of impairment losses totalled € 5.3 million (€ 3.5 million as at December 31, 2022), with a coverage ratio of 79.5%.

**Financial investments** came to € 22,615.7 million, including the negative valuation of fixed-rate securities specifically hedged against interest rate risk, down € 2,020.9 million compared to December 31, 2022, mainly due to sales and redemptions of debt securities measured at amortised cost in the first half of 2023. The carrying amount of the debt securities issued by the UniCredit S.p.A. amount to € 981 million, down compared to € 1,681.3 million as at December 31, 2022 due to the repayment of securities maturing during the first half 2023.

**Hedges recognised as assets** in the balance sheet amounted to € 1,028.8 million and include the positive fair value valuation of hedging derivatives and the value adjustment of assets subject to generic hedging, represented by fixed-rate mortgages. **Hedges recognised as liabilities** in the balance sheet amounted to € -13.4 million and include the negative fair value measurement of hedging derivatives and the value adjustment of liabilities subject to generic hedging, represented by direct funding from customers. The negative change in hedging derivative contracts recognised in the first half 2023 is attributable both to the closure of certain derivative contracts at the same time as the sale of the hedged debt securities and to the reduction in fair value of existing contracts. As a result, the valuation of hedged items evolved in the opposite direction, recording a positive change. It should be noted that the negative change recorded by securities specifically hedged, is shown in Financial investments item, as described above.

**Tax credits acquired** came to € 1,341.8 million and include the carrying amount of tax credits purchased under Decree-Law 34/2020 and subsequent amendments, up from € 1,093.3 million outstanding as of December 31, 2022 due to purchases made in the period, which were higher than the amount of offsets made in the first half 2023.

**Deposits from banks** totaled € 1,299.5 million, showing a decrease of € 377.7 million compared to December 31, 2022, mainly attributable to the reduction in variation margins received for derivative transactions, as a result of the termination of certain hedging derivative contracts, as described above, and the negative change in fair value recorded during the period by hedging derivative contracts.

**Deposits from customers** came to € 29,174 million, showing a decrease of € 2,505.9 million compared to December 31, 2022, due to the reduction in direct deposits on current accounts from customers (- € 2,039.2 million), flowed into products of assets under administration and management, as described above, and the reduction and repurchase agreements made by the Bank's treasury (-€ 496.7 million).

**Debt securities in issue**, amounting to € 803.1 million, exclusively include the Senior Preferred Bonds issued by FinecoBank. During the first half of 2023, the Bank successfully completed the placement of its second Senior Preferred bond issue on the market in the amount of €300 million.

**Shareholders' equity** stood at €1,851.2 million, a decrease of €24.5 million compared to 31 December 2022. The profits recognised in the first half of 2023, amounting to € 283.3 million, almost entirely offset the main reductions recognised in the period, due to the distribution of dividends resolved by the Shareholders' Meeting of 27 April 2023, totalling € 299.2 million, and the payment of coupons on the AT1 instruments issued by FinecoBank, the amount of which, net of the related taxation, 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 | |
|---|---|---|---|---|
| | 2023 | 2022 | Amounts | % |
| Financial margin | 327,998 | 176,618 | 151,380 | 85.7% |
| of which Net interest | 327,916 | 127,172 | 200,744 | 157.9% |
| of which Profits from Treasury | 82 | 49,446 | (49,364) | -99.8% |
| Dividends and other income from equity investments | 29,571 | 23,016 | 6,555 | 28.5% |
| Net fee and commission income | 168,627 | 166,673 | 1,954 | 1.2% |
| Net trading, hedging and fair value income | 30,075 | 55,001 | (24,926) | -45.3% |
| Net other expenses/income | 701 | 737 | (36) | -4.9% |
| **REVENUES** | **556,972** | **422,045** | **134,927** | **32.0%** |
| Staff expenses | (54,967) | (52,115) | (2,852) | 5.5% |
| Other administrative expenses | (142,901) | (130,268) | (12,633) | 9.7% |
| Recovery of expenses | 76,457 | 69,063 | 7,394 | 10.7% |
| Impairment/write-backs on intangible and tangible assets | (12,903) | (12,993) | 90 | -0.7% |
| **Operating costs** | **(134,314)** | **(126,313)** | **(8,001)** | **6.3%** |
| **OPERATING PROFIT (LOSS)** | **422,658** | **295,732** | **126,926** | **42.9%** |
| Net impairment losses on loans and provisions for guarantees and commitments | (2,081) | (1,219) | (862) | 70.7% |
| **NET OPERATING PROFIT (LOSS)** | **420,577** | **294,513** | **126,064** | **42.8%** |
| Other charges and provisions | (12,006) | (12,498) | 492 | -3.9% |
| Net income from investments | (581) | (754) | 173 | -22.9% |
| **PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **407,990** | **281,261** | **126,729** | **45.1%** |
| Income tax for the period | (124,653) | (84,235) | (40,418) | 48.0% |
| **NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS** | **283,337** | **197,026** | **86,311** | **43.8%** |
| **PROFIT (LOSS) FOR THE PERIOD** | **283,337** | **197,026** | **86,311** | **43.8%** |

# Results of the parent and the subsidiary

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

### Income Statement - Quarterly data

(Amounts in € thousand)

| | 2023 | |
|---|---|---|
| | 1st Quarter | 2nd Quarter |
| Financial margin | 157,385 | 170,613 |
| of which Net interest | 157,385 | 170,531 |
| of which Profits from Treasury | - | 82 |
| Dividends and other income from equity investments | - | 29,571 |
| Net fee and commission income | 84,950 | 83,677 |
| Net trading, hedging and fair value income | 15,123 | 14,952 |
| Net other expenses/income | 465 | 236 |
| **REVENUES** | **257,923** | **299,049** |
| Staff expenses | (27,114) | (27,853) |
| Other administrative expenses | (72,044) | (70,857) |
| Recovery of expenses | 37,625 | 38,832 |
| Impairment/write-backs on intangible and tangible assets | (6,412) | (6,491) |
| **Operating costs** | **(67,945)** | **(66,369)** |
| **OPERATING PROFIT (LOSS)** | **189,978** | **232,680** |
| Net impairment losses on loans and provisions for guarantees and commitments | (643) | (1,438) |
| **NET OPERATING PROFIT (LOSS)** | **189,335** | **231,242** |
| Other charges and provisions | (9,269) | (2,737) |
| Net income from investments | (723) | 142 |
| **PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **179,343** | **228,647** |
| Income tax for the period | (58,584) | (66,069) |
| **NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS** | **120,759** | **162,578** |
| **PROFIT (LOSS) FOR THE PERIOD** | **120,759** | **162,578** |

# Results of the parent and the subsidiary

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

(Amounts in € thousand)

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

**Revenues** amounted to € 557 million, registering a 32% increase compared to the € 422 million recorded in the same period of 2022, mainly thanks to the contribution of Financial margin and Dividends and other income from equity investments, partially offset by the decrease in Net trading, hedging and fair value income.

**Financial margin** shows an increase of 85.7% compared to the first half of previous year (+ € 151.4 million), thanks to the **Net interest** increased by 157.9% (+ € 200.7 million), thanks to growth in market tax rates. **Profits from Treasury**, on the other hand, decreased by € 49.4 million compared to the first half 2022.

**Dividends and other income from equity investments** include dividends received by Fineco AM, totalling € 29.6 million (€ 23,2 million in the first half of 2022), net of the negative effect recognised following the equity valuation of Vorvel Sim S.p.A. amounting to - € 6 thousand (-€ 0.2 million recognised in the first half of 2022).

**Net fee and commission income** showed an increase of € 2 million compared to the same period of the previous year, mainly attributable to commissions related to Banking (+ € 3.8 million), thanks to growth in net commissions related to payment systems, partially offset by a reduction in fees and commissions generated by Brokerage (€ -1.4 million) and fees and commissions generated by Investing (€ -0.5 million).

**Net trading, hedging and fair value income** amounted to € 30.1 million and shows a decrease of € 24.9million compared to the same period of previous year. The item mainly consists of profits realised by the Brokerage segment, which includes internalisation of securities and regulated/OTC derivatives, financial instruments used for operational hedging of securities and internalised derivatives and the exchange differences on assets and liabilities denominated in currency. The item also includes the ineffectiveness component of hedging transactions, amounting to € -5.1 million (+€ 11.7 million in the first half of 2022), determined by the application of different curves different curves for the fair value valuation of hedging derivatives and hedged items in fair value hedge transactions value hedge.

**Operating costs** highlight an increased by € 8 million compared to the first half of previous year (+ € 2.9 million for "Staff expenses", + € 5.2 million for "Other administrative expenses net of Recovery of expenses" and - € 0.1 million for "Impairment/write-backs on intangible and tangible assets"). The 6.3% increase in operating costs is mainly determined by expenses closely linked to the growth of the business (assets, volumes, customers and

# Results of the parent and the subsidiary

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

structure), certified by a cost/income ratio of 24.1% (29.9% at 30 June 2022) confirming the Bank's strong operating leverage and widespread corporate culture of cost management.

**Net write-downs of loans and provisions for guarantees and commitments** in first half 2023 amounted to - € 2.1 million (- € 1.2 million in first half 2022). The cost of risk is 5 basis points.

**Other charges and provisions** amounted to € 12 million, down to 3.9% on first half 2022. It should be noted that the ordinary contribution required for the year 2023 under Directive 2014/59/EU (Single Resolution Fund) in the amount of € 6.6 million was recognised in the first half of 2023, down from € 7.6 million recognised in the first half of 2022.

**Net income from investments** stood at - € 0.6 million, substantially in line with the first half of 2022.

**Profit before tax from continuing operations** amounted to € 408 million, up 45.1% compared to the same period of previous year (+44.9% excluding the non-recurring items of first half of 2022[16],), mainly thanks to higher Financial Margin (+ € 151.4 million) and Dividends and other income from equity investments (+ € 6.6 million), partially offset by a decrease in Net trading, hedging and fair value income (- € 24.9 million) and growth in Operating costs (+ € 8 million).

**Profit for the period** amounted to € 283.3 million, showing an increase of 43.8% compared to € 197 million of the first half of previous year (+43.7% excluding the non-recurring items of first half of 2022[17]).

[16] Change in fair value and cancellation of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 0.3 million (gross of the tax effect).
[17] Change in fair value and cancellation of the exposure in equity securities versus the Voluntary Scheme established by the Interbank Fund for the Protection of Deposits for an amount of -€ 0.2 million (net of the tax effect).

# Results of the parent and the subsidiary

## The subsidiary: Fineco Asset Management DAC

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

The assets under management managed by Fineco AM at 30 June 2023 amounted to € 29.2 billion (€ 25.9 billion as at December 31, 2022). This is broken down as per below:

- € 4.2 billion referred to Core Series (€ 4.3 billion as at December 31st, 2022);
- € 18.8 billion referred to FAM Series (€ 15.5 billion as at December 31st, 2022);
- € 6.2 billion referred to FAM Evolution (€ 6.1 billion as at December 31st, 2022).

It should also be noted that € 18.6 billion relate to retail classes and € 10.6 billion relating to institutional classes.

As at June 30th, 2023, Fineco AM has a total asset of € 99.6 million. This consists of **Loans and receivables to banks**, represented by a time deposit for an amount of € 30 million, by **Cash and Cash balances** for € 36.3 million deposited with credit institutions, and by **Loans and receivables to customers**, exclusively represented operating receivables associated with the provision of services, for an amount of € 29.9 million.

Fineco AM also holds shares in its UCITS Funds 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**".

**Deposits from banks** and **Deposits from customers** totalled € 27.6 million, are represented exclusively by operating payables connected with the provision of financial services, relating to the placement and management fees of UCITS to be paid back to the placers, including FinecoBank itself for € 13.9 million, and to investment advisors, It should be noted that the item **Deposits from customers** also includes the "Lease liabilities" from customers, amounting to € 1.4 million representing the financial debt corresponding to the present value of the payments due in the lease agreements stipulated with credit institutions not paid at the reporting date, as required by IFRS 16.

**Shareholders' equity** amounted to € 63.2 million and consists of share capital for € 3 million, of retained earnings for € 5.1 million and net income for the period of € 55.1 million.

In the first half of 2023 Fineco AM generated **Net commissions** for € 73.5 million (€ 169.9 million in fee and commission income and € 96.4 million in fee and commission expenses) and the **Net Profit for the period** amounted to € 55.1 million.

# Related-party Transactions

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

The Global Policy contains the provisions to observe when managing:

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

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

## Transactions with Group companies

FinecoBank is Parent Company of Banking Group FinecoBank.

The following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at June 30, 2023 as well as the costs (-) and revenues (+) recorded in the first half 2023 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 | 14,164 | - | - | 110,321 | - |

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 2023, in addition to the dividends recognized by Fineco AM for a total of € 29.6 million.

## Transactions with Non-consolidated Subsidiaries

At June 30, 2023, the company Fineco International Ltd - established on November 22nd, 2022, based in the UK and wholly-owned by FinecoBank S.p.A. - was not operational and was excluded from the scope of consolidation as it does not exceed the materiality thresholds defined in the Group's policy. The following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at June 30, 2023 as well as the costs (-) and revenues (+) recorded in the first half 2023.

(Amounts in € thousand)

| | Assets | Liabilities | Guarantees and commitments | Revenues (+) | Costs (-) |
|---|---|---|---|---|---|
| Fineco International Ltd | 94 | 1 | 105 | - | - |

# Related-party Transactions

## Transactions with companies subject to significant influence

The following table provides a summary of outstanding assets, liabilities, guarantees and commitments as at June 30, 2023 as well as the costs (-) and revenues (+) recorded in the first half 2023 with respect to Vorvel SIM S.p.A., the only investment subject to influence and consolidated using the equity method.

(Amounts in € thousand)

| | Assets | Liabilities | Guarantees and commitments | Revenues (+) | Costs (-) |
|---|---|---|---|---|---|
| Vorvel SIM S.p.A. | 28 | 126 | - | - | (296) |

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

# 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 2023.

## Outlook

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

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

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

FinecoBank had a market share by Total Financial Assets ("TFA")[18] for 2.21% in March 2023 (last available data), with significant potential growth margins.

Considering the typical risks of the sector to which it belongs, a positive operating performance is expected for the second half 2023, except in the case of the occurrence of events of an exceptional nature or dependent on variables that are substantially beyond the control of the Directors and Management.

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

# Consolidated balance sheet

(Amounts in € thousand)

| Assets | 06/30/2023 | 12/31/2022 |
|---|---|---|
| 10. Cash and cash balances | 1,518,628 | 1,469,713 |
| 20. Financial assets at fair value through profit and loss | 23,143 | 22,478 |
| a) financial assets held for trading | 16,868 | 16,926 |
| c) other financial assets mandatorily at fair value | 6,275 | 5,552 |
| 30. Financial assets at fair value through other comprehensive income | 27,654 | 26,872 |
| 40. Financial assets at amortised cost | 29,177,756 | 31,472,301 |
| a) loans and receivables to banks | 3,417,063 | 4,029,194 |
| b) loans and receivables to customers | 25,760,693 | 27,443,107 |
| 50. Hedging derivatives | 1,272,917 | 1,691,642 |
| 60. Changes in fair value of portfolio hedged financial assets (+/-) | (244,095) | (266,938) |
| 70. Equity investments | 1,681 | 1,718 |
| 90. Property, plant and equipment | 143,799 | 146,208 |
| 100. Intangible assets | 125,390 | 126,389 |
| - goodwill | 89,602 | 89,602 |
| 110. Tax assets | 46,100 | 46,577 |
| b) deferred tax assets | 46,100 | 46,577 |
| 130. Other assets | 1,722,949 | 1,531,925 |
| **Total assets** | **33,815,922** | **36,268,885** |

# Consolidated balance sheet

(Amounts in € thousand)

| Liabilities and Shareholders' equity | 06/30/2023 | 12/31/2022 |
|---|---|---|
| 10. Financial liabilities at amortized cost | 31,290,354 | 33,870,808 |
| a) deposits from banks | 1,299,539 | 1,677,235 |
| b) deposits from customers | 29,187,761 | 31,695,647 |
| c) debt securities in issue | 803,054 | 497,926 |
| 20. Financial liabilities held for trading | 8,538 | 4,574 |
| 40. Hedging derivatives | 60,882 | 63,752 |
| 50. Changes in fair value of portfolio hedged financial liabilities (+/-) | (74,320) | (66,932) |
| 60. Tax liabilities | 65,017 | 42,627 |
| a) current tax liabilities | 65,017 | 42,627 |
| 80. Other liabilities | 443,441 | 334,352 |
| 90. Provision for employee severance pay | 4,027 | 3,942 |
| 100. Provisions for risks and charges: | 106,526 | 105,365 |
| a) commitments and guarantees given | 129 | 74 |
| c) other provisions for risks and charges | 106,397 | 105,291 |
| 120. Revaluation reserves | 1,063 | 2,121 |
| 140. Equity instruments | 500,000 | 500,000 |
| 150. Reserves | 899,315 | 778,211 |
| 160. Share premium reserve | 1,934 | 1,934 |
| 170. Share capital | 201,508 | 201,340 |
| 180. Treasury shares (-) | (1,243) | (1,714) |
| 200. Net Profit (Loss) for the year (+/-) | 308,880 | 428,505 |
| **Total liabilities and Shareholders' Equity** | **33,815,922** | **36,268,885** |

# Consolidated Income statement

(Amounts in € thousand)

| Item | | 06/30/2023 | 06/30/2022 |
|---|---|---|---|
| 10. | Interest income and similar revenues | 371,198 | 129,516 |
| | of which: interest income calculated using the effective interest method | 252,572 | 140,041 |
| 20. | Interest expenses and similar charges | (45,620) | (5,056) |
| **30.** | **Net interest margin** | **325,578** | **124,460** |
| 40. | Fee and commission income | 468,683 | 457,505 |
| 50. | Fee and commission expenses | (223,940) | (222,490) |
| **60.** | **Net fee and commission** | **244,743** | **235,015** |
| 70. | Dividends and similar revenues | 151 | 157 |
| 80. | Net income financial assets and liabilities held for trading | 34,403 | 43,508 |
| 90. | Fair value adjustment in hedge accounting | (5,104) | 11,725 |
| 100. | Gains and losses on disposal of: | 82 | 49,446 |
| | a) financial assets at amortized cost | 82 | 49,137 |
| | b) financial assets at fair value with impact on overall profitability | - | 309 |
| 110. | Net gains and losses on financial assets/liabilities designated at fair value with impact on overall profitability | 629 | (547) |
| | b) net result of other financial assets that are measured at fair value | 629 | (547) |
| 120. | Operating income | 600,482 | 463,764 |
| 130. | Net impairment/write-backs for credit risk related to: | (2,606) | (1,931) |
| | a) financial assets at amortized cost | (2,606) | (1,930) |
| | b) financial assets measured at fair value with an impact on overall profitability | - | (1) |
| **140.** | **Profit/loss from contract changes without cancellation** | **-** | **(1)** |
| **150.** | **Net profit from financial activities** | **597,876** | **461,832** |
| **180.** | **Net profit from financial and insurance activities** | **597,876** | **461,832** |
| 190. | Administrative costs: | (213,500) | (198,649) |
| | a) payroll costs | (60,378) | (57,538) |
| | b) other administrative costs | (153,122) | (141,111) |
| 200. | Net provisions for risks and charges | (5,479) | (4,820) |
| | a) commitments and guarantees issued | (54) | (48) |
| | b) other net provisions | (5,425) | (4,772) |
| 210. | Impairment on tangible assets | (10,152) | (9,806) |
| 220. | Impairment on intangible assets | (3,085) | (3,385) |
| 230. | Other operating income/charges | 75,857 | 68,500 |
| **240.** | **Operating costs** | **(156,359)** | **(148,160)** |
| 250. | Profit (Loss) on equity investments | (6) | (148) |
| 280. | Gains and losses on disposals on investments | - | 1 |
| **290.** | **Total profit or loss before tax from continuing operations tax expense related to profit or loss from continuing operations** | **441,511** | **313,525** |
| 300. | Total profit or loss after tax from continuing operations tax expense related to profit or loss from continuing operations | (132,631) | (91,162) |
| **310.** | **Total profit or loss after tax continuing** | **308,880** | **222,363** |
| **330.** | **Net profit or loss** | **308,880** | **222,363** |
| **350.** | **Profit (Loss) for the year attributable to the Parent Company** | **308,880** | **222,363** |

| | 06/30/2023 | 60/30/2022 |
|---|---|---|
| Earnings per share (euro) | 0.51 | 0.36 |
| Diluted earnings per share (euro) | 0.50 | 0.36 |

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

# Consolidated statement of comprehensive income

(Amounts in € thousand)

| Item | | 01/01/2023 06/30/2023 | 01/01/2022 06/30/2022 |
|---|---|---|---|
| 10. | Profit (loss) for the period | 308,880 | 222,363 |
| | **Other income components net of taxes without reversal to the income statement** | **(1,458)** | **8,169** |
| 70. | Defined benefit plans | (1,468) | 8,170 |
| 90. | Valuation reserves from investments accounted for using the equity method | 10 | (1) |
| | **Other income components net of taxes with reversal to the income statement** | **400** | **(2,466)** |
| 150. | Financial assets (no equity securities) measured at fair value with an impact on total profitability | 441 | (2,466) |
| 170. | Valutation reserves from investments accounted for using the equity method | (41) | - |
| **200.** | **Total other income components after tax** | **(1,058)** | **5,703** |
| **210.** | **Overall profitability (Item 10 + 200)** | **307,822** | **228,066** |
| **230.** | **Consolidated comprehensive income attributable to Parent Company** | **307,822** | **228,066** |

# Statement of changes in consolidated shareholders’ equity

## Statement of changes in consolidated shareholders’ equity at 06/30/2023

(Amounts in € thousand)

| | Balance as at 12/31/2022 | Change in opening balance | Balance as at 01/01/2023 | Allocation of profit from previous year: Reserves | Allocation of profit from previous year: Dividends and other distributions | Change during the year: Changes in reserves | Shareholders' equity transactions: Issues of new shares | Purchase of own shares | Distributions of extraordinary dividends | Changes in equity instruments | Own share derivatives | Stock options | Changes in ownership | Comprehensive income as at 06/30/2023 | Shareholders' equity group as at 06/30/2023 | Shareholders' equity minorities as at 06/30/2023 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share capital: | | | | | | | | | | | | | | | | |
| - ordinary shares | 201,340 | - | 201,340 | - | - | - | 168 | - | - | - | - | - | - | - | 201,508 | - |
| - other shares | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Share premium reserve | 1,934 | - | 1,934 | - | - | - | - | - | - | - | - | - | - | - | 1,934 | - |
| Reserves: | | | | | | | | | | | | | | | | |
| - from profits | 736,780 | - | 736,780 | 129,295 | - | (9,845) | - | - | - | - | - | (168) | - | - | 856,062 | - |
| - others | 41,431 | - | 41,431 | - | - | - | - | - | - | - | - | 1,822 | - | - | 43,253 | - |
| Revaluation reserves | 2,121 | - | 2,121 | - | - | - | - | - | - | - | - | - | - | (1,058) | 1,063 | - |
| Equity instruments | 500,000 | - | 500,000 | - | - | - | - | - | - | - | - | - | - | - | 500,000 | - |
| Treasury shares | (1,714) | - | (1,714) | - | - | - | 990 | (519) | - | - | - | - | - | - | (1,243) | - |
| Profit (loss) for the year | 428,505 | | 428,505 | (129,295) | (299,210) | - | - | - | - | - | - | - | - | 308,880 | 308,880 | - |
| Shareholders' Equity Group | 1,910,397 | - | 1,910,397 | - | (299,210) | (9,845) | 1,158 | (519) | - | - | - | 1,654 | - | 307,822 | 1,911,457 | - |
| Shareholders' Equity Minorities | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |

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

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

(Amounts in € thousand)

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

The Shareholders' Meeting of 28 April 2022 approved the distribution of the unit dividend of €0.39, as proposed by the Board of Directors on 9 February 2022, totalling 237,946,745.4 euro.
The column "Stock options" includes the incentives plans serviced by FinecoBank shares.
The column "Changes in reserves" includes the coupons paid on equity instruments, net of related taxes, the transaction costs directly attributable to the issue of new ordinary shares during the period, net of related taxes, as well as the portion of dividends not distributed in respect of treasury shares held by the Bank at the record date.

# Consolidated cash flow statement

(Amounts in € thousand)

| Items | Amount | |
|---|---|---|
| | 06/30/2023 | 06/30/2022 |
| **A. OPERATING ACTIVITIES** | | |
| **1. Operations** | **403,577** | **411,922** |
| - net result for the period (+/-) | 308,880 | 222,363 |
| - gains/losses on financial assets held for trading and on other assets/liabilities designated at fair value with impact on overall profitability (+/-) | (363) | (1,492) |
| - gains/losses on hedging accounting (+/-) | 5,104 | 9,908 |
| - net impairment losses/writebacks on impairment for credit risk (+/-) | 4,168 | 3,290 |
| - net adjustments/write-backs on property, plant and equipment and intangible assets (+/-) | 13,237 | 13,191 |
| - provisions and other income/expenses (+/-) | 12,624 | 11,547 |
| - net income/expenses from insurance contracts issued and reinsurance contracts held | - | - |
| - unpaid duties, taxes and tax credits (+/-) | 55,988 | 80,691 |
| - impairment/write-backs after tax on discontinued operations (+/-) | - | - |
| - other adjustments (+/-) | 3,939 | 72,424 |
| **2. Liquidity generated/absorbed by financial assets** | **2,490,720** | **(2,300,089)** |
| - financial assets held for trading | 1,023 | 5,160 |
| - financial assets designated at fair value | - | - |
| - other financial assets mandatorily at fair value | (90) | (427) |
| - financial assets at fair value through other comprehensive income | 1 | 4,721 |
| - financial assets at amortized cost | 2,389,860 | (2,059,022) |
| - other assets | 99,926 | (250,521) |
| **3. Liquidity generated/absorbed by financial liabilities** | **(2,529,773)** | **2,207,245** |
| - financial liabilities at amortized cost | (2,597,835) | 2,089,488 |
| - financial liabilities held for trading | 2,729 | (515) |
| - financial liabilities designated at fair value | - | - |
| - other liabilities | 65,333 | 118,272 |
| **4. Liquidity generated/absorbed from insurance contracts issued and reinsurance contracts held** | **-** | **-** |
| - insurance contracts issued representing liabilities/assets (+/-) | - | - |
| - reinsurance contracts held representing assets/liabilities (+/-) | - | - |
| **Net liquidity generated/absorbed by operating activities** | **364,524** | **319,078** |
| **B. INVESTMENT ACTIVITIES** | | |
| **1. Liquidity generated by:** | **-** | **2** |
| - sales of equity investments | - | - |
| - collected dividends on equity investments | - | - |
| - sales of tangible assets | - | 2 |
| - sales of intangible assets | - | - |
| - sales of subsidiaries and company branches | - | - |
| **2. Liquidity absorbed by:** | **(3,866)** | **(4,598)** |
| - purchases of equity investments | - | (700) |
| - purchases of tangible assets | (1,781) | (2,074) |
| - purchases of intangible assets | (2,085) | (1,824) |
| - purchases of subsidiaries and company branches | - | - |
| **Net liquidity generated/absorbed by investment activities** | **(3,866)** | **(4,596)** |
| **C. FUNDING ACTIVITIES** | | |
| - issue/purchase of treasury shares | 639 | (201) |
| - issue/purchase of equity instruments | - | - |
| - dividend distribution and other | (310,213) | (248,432) |
| - sale/purchase of minority control | - | - |
| **Net liquidity generated/absorbed by funding activities** | **(309,574)** | **(248,633)** |
| **NET LIQUIDITY GENERATED/ABSORBED IN THE PERIOD** | **51,084** | **65,849** |

# Consolidated cash flow statement

## RECONCILIATION

| Item | Amount | |
|---|---|---|
| | 06/30/2023 | 06/30/2022 |
| Cash and cash equivalent at the beginning of the period | 1,469,752 | 1,464,216 |
| Total net liquidity generated/absorbed in the period | 51,084 | 65,849 |
| Cash and cash equivalents: effect of exchange rate variations | (2,380) | 12,327 |
| Cash and cash equivalent at the end of the period | 1,518,456 | 1,542,380 |

**Key**
(+) generated
(-) used

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

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

# Part A – Accounting policies

## A.1 General

### Section 1 - Statement of Compliance with IFRS

In implementation of Legislative Decree no. 38 of February 28th, 2005, these Consolidated interim financial statements of the FinecoBank Banking Group (represented by the Bank and the subsidiary Fineco Asset Management DAC, hereinafter "FinecoBank Group" or "Group") have been prepared in accordance with the IAS/IFRS issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretation documents, as endorsed by the European Commission, pursuant to EU Regulation 1606/2002 of July 19th, 2002 and applicable to financial reports for the periods starting on or after January 1st, 2023, and, in particular, it complies with the international accounting standard applicable for interim financial reporting (IAS 34). Based on paragraph 10 of this principle, FinecoBank has availed itself of the option of preparing the consolidated interim financial statements in an abbreviated version.

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

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

On 17 November 2022, the 8th update of Circular No. 262 of 22 December 2005 was published, which takes into account the new international accounting standard IFRS 17 "Insurance Contracts" - which replaces the accounting standard on insurance contracts IFRS 4 as of 1 January 2023 - and the consequent changes introduced in other international accounting standards, including IAS 1 "Presentation of Financial Statements" and IFRS 7 "Financial Instruments: Disclosures". The update, which consists of a complete revision of the Circular, applies from the financial statements closed or ongoing as at 31 December 2023. Where applicable, the change to the numbering of items and information sections has been incorporated into these Consolidated interim financial statements.

### Section 2 - Preparation criteria

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

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

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

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

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

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

# Part A – Accounting policies

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

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

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

## Section 3 – Consolidation Procedures and Scope

The consolidation criteria and principles adopted in the preparation of the Consolidated interim Financial Statements at June 30th, 2023 are set out below.

### *Scope of consolidation*

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

The following was used for full consolidation:

- the accounts at June 30th, 2023 of FinecoBank S.p.A.;
- the accounts at June 30th, 2023 of Fineco Asset Management DAC (“Fineco AM”), fully consolidated and wholly owned, prepared in accordance with IAS/IFRS where the items have been appropriately reclassified and adjusted for consolidation requirements.

It should be noted that on November 22nd, 2022, the company Fineco International Ltd, based in the UK, was incorporated. As at June 30th, 2023, the company, a wholly-owned subsidiary of FinecoBank S.p.A., was not operational, and was excluded from the scope of consolidation as it does not exceed the materiality thresholds defined in the Group's policy.

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

### *Changes in the scope of consolidation*

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

### *1. Interests in fully-owned subsidiaries*

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

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

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

### *Subsidiaries*

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

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

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

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

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

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

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

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

### *Associates*

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

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

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

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

As at June 30th, 2023, the only wholly-owned subsidiary, Fineco AM, is 100% owned. As described above, it should be noted that FinecoBank also holds 100% of Fineco International Ltd, which is not operational as at June 30th, 2023.

#### *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.

# Part A – Accounting policies

### *5. Other information*

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

### *Consolidation methods*

Full consolidation

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

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

Consolidation using the equity method

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

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

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

This share must be adjusted to take account of:

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

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

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

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

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

## Section 4 - Subsequent events

No significant events have occurred after the balance sheet date that would make it necessary to change any of the information given in the Consolidated interim Financial Statements as at June 30th, 2023.

The Consolidated interim Financial Statements at June 30th, 2023 were approved by the Board of Directors of August 1st, 2023, which authorised their publication also pursuant to IAS10.

# Part A – Accounting policies

## Section 5 – Other matters

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

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

Where applicable, these accounting standards, amendments and interpretations had no relevant impact on the consolidated financial statements as at June 30th, 2023.

Finally, on June 30th, 2023, the IASB had issued the following standards and accounting interpretations or revisions thereof, the application of which is, however, still subject to the completion of the endorsement process by the competent bodies of the European Union, which is still underway:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current - Deferral of Effective Date - Non-current Liabilities with Covenants (January 2020, July 2020 and October 2022, respectively);
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (September 2022)
- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (May 2023);
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (May 2023).

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

# Part A – Accounting policies

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

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

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

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

In the presentation of the consolidated interim financial statements at June 30th, 2023, estimates have been used to support the carrying amount of some of the valuation-based items, as required by the accounting standards and regulations described above. These estimates are largely based, as regards assets, on calculations of future recoverability of the values recognised in the accounts and as regards liabilities, on estimates of the probability of using resources to meet the Group's obligations and on the amount of resources necessary to that end, according to the rules laid down in current legislation and standards. They have been made on the assumption of a going concern, on which basis these consolidated interim financial statements have been prepared, i.e. without contemplating the possibility of the forced sale of the estimated items. The processes adopted support the carrying amounts at June 30th, 2023. For some of the above items, the valuation is particularly complex given the uncertainty of the macroeconomic and market situation, characterised by significant levels of volatility in the financial parameters determining the valuation. For other items, the complexity and subjectivity of estimates is influenced by the intricacy of the underlying assumptions, the amount and variability of available information and the uncertainties connected with possible future outcomes of proceedings, disputes and litigation.

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

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

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

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

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

For the purpose of calculating expected losses, the Group uses specific models that adopt Probability of Default ("PD") and Loss Given Default ("LGD") indicators, conservatively estimated and to which specific adjustments are made in order to ensure full consistency with accounting regulations. Expected loss for institutional counterparties is calculated using risk parameters provided by the external provider Moody's Analytics; for retail counterparties, not having internal rating systems available, PD and LGD parameters are estimated by product type through models developed internally by the CRO Department (personal loans and mortgages) or proxies (other exposures). To implement the requirements of IFRS 9 accounting standard, the parameters are adjusted by forward-looking analyses through specific scenarios developed by external provider Moody's Analytics. The scenarios as of June 30, 2023, incorporate forward-looking information that considers different possible developments in the pandemic crisis and the military conflict in Ukraine. Specifically, the forward-looking component is determined by three macroeconomic scenarios, a base ("Baseline") scenario, a positive scenario, and an adverse scenario. The baseline scenario is weighted at 40 percent as it is considered the most likely to be realized; the positive and adverse scenarios, on the other hand, are weighted at 30 percent, and represent alternative best- and worst-case realizations, respectively. If conflict results in a decrease in economic growth (Italy and Spain in first), this scenario may result in higher value adjustments for the exposures held, loans and debt securities, due to the updated of the Forward-Looking Information component required by IFRS 9 accounting standard.

# Part A – Accounting policies

Another key aspect required by IFRS 9 is the need to recognise at each reporting date whether there has been a significant increase in credit risk on each individual credit exposure (Significant Increase in Credit Risk - SICR), transposed through a three-stage Staging Allocation model. This model envisages a first stage (stage 1), which includes new exposures and exposures that at the reporting date do not show a significant deterioration in credit risk with respect to initial recognition, a second stage (stage 2), which includes exposures on which a significant deterioration in credit risk has been detected with respect to initial recognition, and a third stage (stage 3), which includes impaired exposures (Non-performing exposures - NPE). With reference to institutional counterparties with whom credit activity is carried out, the Group uses a method that compares the rating at the reference date and the rating recorded at the date the exposure was first recognised in the financial statements. The method, which makes use of the external rating assigned by the agency Moody's, is also applied to financial instruments acquired by the Group for investment purposes. Regarding retail counterparties, in the absence of internal ratings, the Group makes use of the backstop preferred to in the regulations and additional internal evidence. In this context, all exposures that are more than 30 days past due, or for which additional information is available that suggests a deterioration in the counterparty's creditworthiness are classified as Stage 2. For more details on the models and parameters used in the measurement of IFRS 9 adjustments, see Part E - Information on risks and related hedging policies of the notes to the accounts.

Despite the delicate geopolitical and economic context, there was no significant deterioration in the credit portfolio during the first half of 2023, neither with regard to financial investments nor with regard to the Group's loans to ordinary customers. With regard to institutional counterparties issuing financial instruments that the Group has acquired as investments, although there was a deterioration in credit parameters mainly due to the application of forward-looking factors, which incorporate the effects of the deteriorated macroeconomic environment, no changes in creditworthiness were detected that would trigger a stage 2 transition. Loans to ordinary customers, on the other hand, did not show any significant increase in flows to stage 2 or stage 3. The latter are in fact disbursed in application of a careful and prudent lending policy and are mainly backed by financial and real estate collateral. In the case of real estate loans, the average loan-to-value is, in fact, about 50% and the credit facilities granted provide for the acquisition of guarantees with conservative margins.

With reference to the projections of future cash flows, assumptions and parameters used for the purpose of assessing the recoverability of the goodwill, brands and Fineco domains recorded in the financial statements, it should be noted that the parameters and information used are significantly influenced by the macroeconomic market environment, which could experience unforeseeable changes considering the uncertainties highlighted above. In this regard it should be noted that as of June 30, 2023, the Bank has assessed that the changes reasonably estimated in the forward-looking data used as of December 31, 2022, have not a significant impact on the positive outcome of the impairment test carried out on that date, whose results confirm the sustainability of the goodwill recorded in the financial statements, not showing in any of the scenarios assumed the need for impairment, confirming a value in use significantly higher than the book value. The sensitivity analyses carried out at the closing of the financial statements as at 31 December 2022 also show that the impairment test would reach a break-even level assuming changes currently not reasonably conceivable in the main parameters used in the valuation model (a discount rate after tax ‘Ke’ of about 32 percentage points, i.e. a reduction of about 70% in annual earnings). To this end, it is worth further mentioning that the Bank, unlike many issuers in the financial sector, has a market capitalization (amounting to € 7,520 million) higher than the book equity. For more details regarding the impairment test the related sensitivity analysis can be found in Part B - Information on the Consolidated Balance Sheet - Section 10 - Intangible Assets of the Notes to the Consolidated Financial Statements as of December 31, 2022.

With regard to the property owned for functional use and the property owned for investment use held by FinecoBank located in Italy, in order to assess whether there are any indications that the assets may be impaired, the Bank, at the time of the closing of the consolidated interim financial statements as of June 30, 2023, requested an appraisal from independent third a party company from which no evidence emerged that would lead to the need for impairment pursuant to IAS 36.

With regard to the actuarial gains/losses calculated in accordance with IAS 19R, particularly related to the provisions for employee severance pay (“TFR”) and the FISC of personal financial advisors, the actuarial assumptions used reflect the current economic outlook.

Furthermore, no uncertainty has been recognised with regard to the recoverability of deferred tax assets. The amount of deferred tax assets recognised in the financial statements must be tested for the likelihood of future taxable income that would allow for their recovery. The test performed at the time of the condensed interim consolidated financial statements was positive.

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

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

# Part A – Accounting policies

### *Going concern declaration*

It is considered that there is no doubt regarding the Group's ability to continue as a going concern in the foreseeable future or uncertainties that would give rise to a material adjustment to the carrying amounts within the next financial year. However, it cannot be ruled out that, due to their nature, those reasonable assumptions may not be confirmed in the Group's actual future scenarios. In performing this valuation, the key regulatory indicators have been also considered, in terms of the period end figures at June 30, 2023, 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 significant negative economic and financial impacts are estimated.

The Directors have considered these circumstances and consider that it is reasonably certain that the Group will continue to operate successfully in the foreseeable future and, therefore, in accordance with IAS 1, the consolidated interim financial statements for the year ended June 30, 2023 have been prepared on a going concern basis.

### *Contributions to guarantee and resolution funds*

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

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

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

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

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

### *Other information*

The Consolidated interim financial statements as at June 30th, 2023 are subject to limited audit by KPMG S.p.A. appointed as auditor of the Bank's accounts in implementation of the Shareholders' Meeting resolution of April 28th, 2021.

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

## A.2 The main items of the accounts

As regards the criteria for classification, recognition and measurement of the main items in the financial statement, please refer to what is illustrated in Part A.2 of the Notes to the consolidated accounts of the Financial Statements closed on December 31st, 2022.

## A.3 Disclosure on transfers between portfolios of financial assets

IFRS 9 and IFRS 7 allow, after initial recognition, the modification of their business model for managing financial assets and, consequently, impose the reclassification of reclassify all affected financial assets.

Such changes are expected to be very infrequent. Such changes are determined by the entity's senior management as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties. Accordingly, a change in a Group's business model will occur only when an entity either begins or ceases to perform an activity that is significant to its operations; for example, when the entity has acquired, disposed of, or terminated a business line.

Specifically, the following may be reclassified:

- the financial assets out of the amortised cost measurement category and into the fair value through profit or loss measurement category and vice versa;
- the financial assets out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category and vice versa;
- the financial assets out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category and vice versa.

The following changes in circumstances are not considered reclassifications:

- an item that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- an item becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge;
- changes in measurement.

The following are not changes in business model:

- a change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);
- the temporary disappearance of a particular market for financial assets;
- a transfer of financial assets between parts of the entity with different business models.

During the first half 2023 the Group has not made changes to its business models and, consequently, did not make any changes.

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

No data to report.

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

No data to report.

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

No data to report.

# 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 based on the relevant market prices for the component parts.

The Group uses valuation models (Mark to Model) aligned with the methods generally accepted and used by the market. Valuation models which include techniques based on the discounting of future cash flows and volatility estimates are subject to revision both during their development and periodically to ensure their consistency with the objectives of the valuation.

As a further guarantee of the objectivity of valuations resulting from valuation models, the Group performs:

- independent price verifications (IPVs);
- Fair Value Adjustment or FVAs.

Independent price verification requires prices to be monthly verified by the CRO Department, which, as the risk management function, is independent from risk-taking units. The verification thereof requires comparison and adjustments to the daily price according to valuations carried out by independent market participants. As far as instruments not listed in active markets are concerned, the above verification process takes as reference the prices provided by infoproviders, assigning greater relevance to those most representative of the instrument being valued. Such valuation includes: the "executability" of the transaction at the price observed, the number of contributors, the degree of similarity of the financial instruments, the consistency of prices coming from different sources, and the process followed by the info provider to get the information.

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

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

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

### Description of evaluation techniques

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

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

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

### *Fair Value Adjustments (FVAs)*

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

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

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

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

With reference to the quantitative disclosure required by IFRS 13 on significant unobservable inputs used in the fair value measurement and the sensitivity analysis of level 3 financial assets and liabilities measured at fair value, it should be noted that the Group does not hold significant positions in financial instruments classified in level 3 of the fair value hierarchy. The only exception are Visa INC class "C" and class "A" preferred shares, for which reference is made to the following paragraph "Equities".

### *Fixed Income Securities*

Fixed Income Securities are priced through two main process depending on the reference market liquidity. Liquid instruments listed on active markets are assigned the fair value hierarchy of 1 and the Bid price (for long positions) and the Ask price (for short positions) are considered. Instruments not traded in active markets are marked-to-model.

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

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

### *Structured Financial Products*

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

### *OTC derivatives*

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

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

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

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

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

### *Equity Instruments and Derivative contracts listed on regulated markets*

Equity Instruments and derivative contracts listed on regulated markets, including certificates issued by Fineco, shall be marked as to Level 1 when a quoted price is available on an active market. In this case, the closing price of the most liquid regulated market to which Fineco has access is considered. Equity securities, if listed, are classified as Level 2 if the volume of activity on the listing market is significantly reduced and as Level 3 when no quotations are available or quotations have been suspended indefinitely.

In order to provide a fair value for Visa INC preferred shares class "C", the Group has adopted a model which converts the market price in dollars of Visa INC class "A" shares into euro and applies a discount factor. For the class “C” preferred shares valuation as of June 30, 2023, such factor was determined equal to 8.39%, estimating litigation risk at 2.39% and illiquidity risk at 6%. The litigation risk component has been extracted from an historical series of data provided by Visa INC, whereas the illiquidity risk component has been derived from the illiquidity of shares having limitations on their transferability for a certain period. Preferred shares class "A", on the other hand, are subject to a valuation method in the financial statements which does not provide for the application of a "Litigation Discount". Furthermore, since the latter are convertible into VISA-A Common shares and can subsequently be sold, the "Illiquidity Risk" component is lower than for Visa class "C", therefore the discount factor was estimated at 4.01%. The Visa INC preferred shares class "C" and class "A” have been marked as level 3 of fair value hierarchy.

### *Investment Funds*

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

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

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

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

### *Financial assets at amortised cost*

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

The fair value of on-demand or callable items, and of financial assets with a maturity of less than 12 months and operating receivables related to the provision of financial activities and services, is approximated equal to the balance sheet value; these assets are assigned the level 3 fair value hierarch.

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

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

### *Financial liabilities at amortised cost*

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

The fair value of on-demand financial liabilities, of financial liabilities with a maturity of less than 12 months and current payables related to the provision of financial services is approximated equal to the carrying amount; these liabilities are assigned the fair value hierarchy level 3.

### *Cash and cash balances*

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

# Part A – Accounting policies

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

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

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

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

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

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

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

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

## A.4.2 - Valuation processes and sensitivity of fair value measurements

The Group verifies that the value assigned at each trading position properly reflects the current fair value. The fair value measurement of assets and liabilities is calculated using various techniques, including discounted cash flow models and internal measurement models. All instruments shall be classified as Level 1, Level 2 or Level 3 of the fair value hierarchy according to the observability of the input used. When a position is characterised by one or more significant inputs not directly observable, a further price verification procedure shall be implemented. Procedures thereof include the revision of relevant historical data, the analysis of profits and losses, the individual valuation of each component for structural products and benchmarking. In order to ensure an appropriate level of separation between developing functions and validation functions, all valuation models developed by front office units shall be independently and centrally tested and validated. The aim thereof is to assess model risk arising from model's theoretical robustness, calibration techniques where applicable and suitability of the model to valuate a specific instrument in a defined market.

In addition to the daily mark to market or mark to model valuation, an Independent Price Verification (IPV) is carried out monthly by the Group's Market & Liquidity Risk function in order to provide an independent fair value.

With regard to the sensitivity analysis of financial assets and liabilities measured at fair value on a recurring basis at level 3 as required by IFRS 13, it should be noted that the Group does not hold significant positions in financial instruments classified in the fair value hierarchy 3, with the exception of exposures in preferred shares of Visa INC class "C" and class "A", for which reference should be made to the paragraph "Equity Instrument and Derivative contracts listed on regulated markets" above.

# Part A – Accounting policies

## A.4.3 Fair value hierarchy

The IFRS 13 principle establishes a fair value hierarchy according to the observability of the input used in the valuation techniques adopted.

The fair value hierarchy level associated with assets and liabilities shall be the lowest level among those associated to all significant inputs used. As a rule, an input of valuation is not considered significant for the fair value of an instrument if the remaining inputs are able to explain most of the variance of the fair value over a period of three months. In some specific cases, the magnitude of the limit is verified in relation to the fair value of the instrument at the measurement date.

In particular, three levels are considered:

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

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

## A.4.4 Other information

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

# 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 | 06/30/2023 | | | 12/31/2022 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| 1. Financial assets at fair value through profit or loss | 13,648 | 3,822 | 5,673 | 13,360 | 4,067 | 5,051 |
| a) financial assets held for trading | 13,025 | 3,820 | 23 | 13,037 | 3,866 | 23 |
| b) financial assets designated at fair value | - | - | - | - | - | - |
| c) other financial assets mandatorily at fair value | 623 | 2 | 5,650 | 323 | 201 | 5,028 |
| 2. Financial assets at fair value through other comprehensive income | 27,647 | - | 7 | 26,865 | - | 7 |
| 3. Hedging derivatives | - | 1,272,917 | - | - | 1,691,642 | - |
| 4. Property, plant and equipment | - | - | - | - | - | - |
| 5. Intangible assets | - | - | - | - | - | - |
| **Total** | **41,295** | **1,276,739** | **5,680** | **40,225** | **1,695,709** | **5,058** |
| 1. Financial liabilities held for trading | 6,656 | 1,879 | 3 | 3,184 | 1,387 | 3 |
| 2. Financial liabilities designated at fair value | - | - | - | - | - | - |
| 3. Hedging derivatives | - | 60,882 | - | - | 63,752 | - |
| **Total** | **6,656** | **62,761** | **3** | **3,184** | **65,139** | **3** |

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

During the first half 2023, there were no significant transfers of financial assets between fair value hierarchy 1 and 2.

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

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

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

# Part A – Accounting policies

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

(Amounts in € thousand)

| Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis | 06/30/2023 | | | | 12/31/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | L1 | L2 | L3 | BV | L1 | L2 | L3 |
| 1. Financial assets at amortised cost | 29,177,756 | 19,846,858 | 1,208,643 | 6,426,429 | 31,472,301 | 20,844,398 | 1,962,312 | 6,707,496 |
| 2. Tangible assets held for investment | - | - | - | - | - | - | - | - |
| 3. Non-current assets and disposal groups classified as held for sale | - | - | - | - | - | - | - | - |
| **Total** | **29,177,756** | **19,846,858** | **1,208,643** | **6,426,429** | **31,472,301** | **20,844,398** | **1,962,312** | **6,707,496** |
| 1. Financial liabilities at amortised cost | 31,290,354 | 743,090 | - | 30,487,300 | 33,870,808 | 428,061 | - | 33,372,882 |
| 2. Liabilities included in disposal group classified as held for sale | - | - | - | - | - | - | - | - |
| **Total** | **31,290,354** | **743,090** | **-** | **30,487,300** | **33,870,808** | **428,061** | **-** | **33,372,882** |

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

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

# Part A – Accounting policies

## A.5 Day-one profit/loss

Financial instruments must be initially recognised at fair value.

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

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

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

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

# Part B - Consolidated Balance Sheet

## Assets

### Section 1 - Cash and cash balances - Item 10

#### 1.1 Cash and cash balances: breakdown

(Amounts in € thousand)

| | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| a) Cash | 7 | 4 |
| b) Current account and demand deposits to Central banks | 1,198,354 | 1,197,698 |
| c) Current accounts and demand deposits to banks | 320,267 | 272,011 |
| **Total** | **1,518,628** | **1,469,713** |

The item “(b) Current accounts and demand deposits to Central banks” refers to the overnight deposit and the liquidity deposited to Bank of Italy, net of the balance related to the minimum reserve requirement allocated for the current reporting period, which is represented in the item “Financial assets at amortized cost: loans and receivables to banks”.

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

# Part B - Consolidated Balance Sheet

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

### 2.1 Financial assets held for trading: product breakdown

(Amounts in € thousand)

| Items/Amounts | Total 06/30/2023 | | | Total 12/31/2022 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| **A. Balance sheet assets** | | | | | | |
| 1. Debt securities | - | - | - | - | - | - |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt securities | - | - | - | - | - | - |
| 2. Equity instruments | 9,652 | - | - | 10,533 | - | - |
| 3. Units in investment funds | - | - | 23 | 6 | - | 23 |
| 4. Loans | - | - | - | - | - | - |
| 4.1 Reverse repos | - | - | - | - | - | - |
| 4.2 Others | - | - | - | - | - | - |
| **Total (A)** | **9,652** | **-** | **23** | **10,539** | **-** | **23** |
| **B. Derivative instruments** | - | - | - | - | - | - |
| 1. Financial derivatives | 3,373 | 3,820 | - | 2,498 | 3,866 | - |
| 1.1 Trading | 3,373 | 3,820 | - | 2,498 | 3,866 | - |
| 1.2 Linked to fair value option | - | - | - | - | - | - |
| 1.3 Others | - | - | - | - | - | - |
| 2. Credit derivatives | - | - | - | - | - | - |
| 2.1 Trading | - | - | - | - | - | - |
| 2.2 Linked to fair value option | - | - | - | - | - | - |
| 2.3 Others | - | - | - | - | - | - |
| **Total (B)** | **3,373** | **3,820** | **-** | **2,498** | **3,866** | **-** |
| **Total (A+B)** | **13,025** | **3,820** | **23** | **13,037** | **3,866** | **23** |

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

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

Financial derivatives refer to the positive valuation of CFD contracts traded against customers, as well as derivative contracts regulated or entered into with institutional counterparties for the purpose of hedging such derivative contracts, Knock Out Options and Certificates issued, for a total amount of € 3,721 thousand (€ 3,830 thousand as at December 31, 2022).

Sub-item B.1.1 "Derivative instruments - Trading financial derivatives" also includes the positive valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"). They amounted to € 3,472 thousand (€ 2,534 thousand as at December 31, 2022).

# Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

| Items/Accounts | Total 06/30/2023 | | | Total 12/31/2022 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| **1. Debt securities** | **79** | **2** | **-** | **77** | **201** | **-** |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt securities | 79 | 2 | - | 77 | 201 | - |
| **2. Equity instruments** | **1** | **-** | **5,650** | **1** | **-** | **5,028** |
| **3. Units in investment funds** | **543** | **-** | **-** | **245** | **-** | **-** |
| **4. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| 4.1 Reverse repos | - | - | - | - | - | - |
| 4.2 Others | - | - | - | - | - | - |
| **Total** | **623** | **2** | **5,650** | **323** | **201** | **5,028** |

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

The equity instruments included in “Other financial assets mandatorily at fair value” primarily consist of the Visa INC class “C” and “A” preferred shares, for an amount of € 5,632 thousand, which show a positive fair value change of € 624 thousand during first half 2023. The Units in investment funds held by the subsidiary Fineco AM in the amount of € 543 thousand. For more details on the fair value measurement of financial instruments, please refer to Part A - Accounting Policies - A.4 Information on the fair value of these notes to the accounts.

Equity securities of issuers in default were classified by the Group as non-performing in the financial statements for an amount not relevant.

# 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 06/30/2023 | | | Total 12/31/2022 | | |
|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | L1 | L2 | L3 |
| **1. Debts securities** | **27,647** | **-** | **-** | **26,865** | **-** | **-** |
| 1.1 Structured securities | - | - | - | - | - | - |
| 1.2 Other debt securities | 27,647 | - | - | 26,865 | - | - |
| **2. Equity instruments** | **-** | **-** | **7** | **-** | **-** | **7** |
| **3. Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **27,647** | **-** | **7** | **26,865** | **-** | **7** |

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

"Financial assets at fair value through other comprehensive income" consist of securities issued by sovereign States and, residually, of equity interests in companies in which the Group does not exercise control or significant influence for € 7 thousand for which the "FVTOCI"[19] option was exercised. For more details, see the information on exposures in securities issued by sovereign States set out in Part E of the notes to the accounts.

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

(Amounts in € thousand)

| | Gross amount | | | | | Writedowns | | | | Partial write-offs |
|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | of which: low credit risk | Stage 2 | Stage 3 | Purchased or originated credit-impaired | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | |
| Debt securities | 27,649 | - | - | - | - | (2) | - | - | - | - |
| Loans | - | - | - | - | - | - | - | - | - | - |
| **Total 06/30/2023** | **27,649** | **-** | **-** | **-** | **-** | **(2)** | **-** | **-** | **-** | **-** |
| **Total 12/31/2022** | **26,867** | **-** | **-** | **-** | **-** | **(2)** | **-** | **-** | **-** | **-** |

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

# Part B - Consolidated Balance Sheet

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

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

(Amounts in € thousand)

| Type of transaction/Values | Total 06/30/2023 | | | | | | Total 12/31/2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Book value | | | Fair value | | | Book value | | | Fair value | | |
| | Stage 1 and Stage 2 | Stage 3 | Purchased or originated credit-impaired | L1 | L2 | L3 | Stage 1 and Stage 2 | Stage 3 | Purchased or originated credit-impaired | L1 | L2 | L3 |
| **A. Loans and receivables to Central Banks** | **296,166** | **-** | **-** | **-** | **-** | **296,166** | **311,357** | **-** | **-** | **-** | **-** | **311,357** |
| 1. Time deposits | - | - | - | X | X | X | - | - | - | X | X | X |
| 2. Compulsory reserves | 296,166 | - | - | X | X | X | 311,357 | - | - | X | X | X |
| 3. Reverse repos | - | - | - | X | X | X | - | - | - | X | X | X |
| 4. Others | - | - | - | X | X | X | - | - | - | X | X | X |
| **B. Loans and receivables to banks** | **3,120,897** | **-** | **-** | **1,719,953** | **1,067,168** | **119,461** | **3,717,837** | **-** | **-** | **1,604,553** | **1,784,822** | **115,339** |
| 1. Loans | 119,461 | - | - | - | - | 119,461 | 115,339 | - | - | - | - | 115,339 |
| 1.1. Current accounts | - | - | - | X | X | X | - | - | - | X | X | X |
| 1.2. Time deposits | 88,454 | - | - | X | X | X | 66,486 | - | - | X | X | X |
| 1.3. Other loans | 31,007 | - | - | X | X | X | 48,853 | - | - | X | X | X |
| - Reverse repos | 136 | - | - | X | X | X | 261 | - | - | X | X | X |
| - Finance leases | - | - | - | X | X | X | - | - | - | X | X | X |
| - Others | 30,871 | - | - | X | X | X | 48,592 | - | - | X | X | X |
| 2. Debts securities | 3,001,436 | - | - | 1,719,953 | 1,067,168 | - | 3,602,498 | - | - | 1,604,553 | 1,784,822 | - |
| 2.1. Structured | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2. Other | 3,001,436 | - | - | 1,719,953 | 1,067,168 | - | 3,602,498 | - | - | 1,604,553 | 1,784,822 | - |
| **Total** | **3,417,063** | **-** | **-** | **1,719,953** | **1,067,168** | **415,627** | **4,029,194** | **-** | **-** | **1,604,553** | **1,784,822** | **426,696** |

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

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

The item “Other loans: Other" amounting to € 21,534 thousand refers to the amount of the initial and variation margins and collateral deposits placed with credit institutions for derivative transactions and other financial transactions (€ 41,306 thousand as at December 31, 2022), and € 9,337 thousand to current receivables associated with the provision of financial services (€ 7,286 thousand as at December 31, 2022).

The item “Debt securities” includes € 981,026 thousand relating to debt securities issued by UniCredit S.p.A. (€ 1,681,254 thousand as at December 31, 2022).

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

# Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

| Type of transaction/Values | Total 06/30/2023 | | | | | | Total 12/31/2022 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Book value | | | Fair value | | | Book value | | | Fair value | | |
| | Stage 1 and Stage 2 | Stage 3 | Purchased or originated credit-impaired | L1 | L2 | L3 | Stage 1 and Stage 2 | Stage 3 | Purchased or originated credit-impaired | L1 | L2 | L3 |
| **1. Loans** | **6,179,188** | **5,310** | **-** | **-** | **-** | **6,010,802** | **6,442,186** | **3,527** | **-** | **-** | **-** | **6,280,800** |
| 1.1. Current accounts | 2,271,131 | 3,438 | - | X | X | X | 2,399,917 | 1,773 | - | X | X | X |
| 1.2. Reverse repos | 166,044 | 139 | - | X | X | X | 138,989 | 37 | - | X | X | X |
| 1.3. Mortgages | 2,584,566 | 926 | - | X | X | X | 2,618,344 | 934 | - | X | X | X |
| 1.4. Credit cards, personal loans and wage assignment | 880,047 | 731 | - | X | X | X | 891,343 | 721 | - | X | X | X |
| 1.5. Factoring | - | - | - | X | X | X | - | - | - | X | X | X |
| 1.6. Factoring | - | - | - | X | X | X | - | - | - | X | X | X |
| 1.7. Other loans | 277,400 | 76 | - | X | X | X | 393,593 | 62 | - | X | X | X |
| **2. Debt securities** | **19,576,195** | **-** | **-** | **18,126,905** | **141,475** | **-** | **20,997,394** | **-** | **-** | **19,239,845** | **177,490** | **-** |
| 2.1. Structured | - | - | - | - | - | - | - | - | - | - | - | - |
| 2.2. Other | 19,576,195 | - | - | 18,126,905 | 141,475 | - | 20,997,394 | - | - | 19,239,845 | 177,490 | - |
| **Total** | **25,755,383** | **5,310** | **-** | **18,126,905** | **141,475** | **6,010,802** | **27,439,580** | **3,527** | **-** | **19,239,845** | **177,490** | **6,280,800** |

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

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

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

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

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

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

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

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

# Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

| | | Gross amount | | | | | Writedowns | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | of which: low credit risk | Stage 2 | Stage 3 | Purchased or originated credit-impaired | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | Partial write-offs |
| Debt securities | | 22,584,748 | - | - | - | - | (7,117) | - | - | - | - |
| Loans | | 6,556,770 | - | 50,195 | 25,874 | - | (7,022) | (5,128) | (20,564) | - | - |
| **Total** | **06/30/2023** | **29,141,518** | **-** | **50,195** | **25,874** | **-** | **(14,139)** | **(5,128)** | **(20,564)** | **-** | **-** |
| **Total** | **12/31/2022** | **31,446,950** | **-** | **41,720** | **25,229** | **-** | **(15,294)** | **(4,602)** | **(21,702)** | **-** | **-** |

## Section 5 – Hedging derivatives – Item 50

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

(Amounts in € thousand)

| | Fair Value 06/30/2023 | | | NA 06/30/2023 | Fair Value 12/31/2022 | | | NA 12/31/2022 |
|---|---|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | | L1 | L2 | L3 | |
| **A. Financial derivatives** | | | | | | | | |
| 1. Fair value | - | 1,272,917 | - | 9,276,051 | - | 1,691,642 | - | 9,976,612 |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| 3. Net investment in foreign subsidiaries | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | | | | | | | | |
| 1. Fair value | - | - | - | - | - | - | - | - |
| 2. Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **1,272,917** | **-** | **9,276,051** | **-** | **1,691,642** | **-** | **9,976,612** |

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

# Part B - Consolidated Balance Sheet

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

### 6.1 Fair value change of hedged assets: breakdown by hedged portfolio

(Amounts in € thousand)

| Fair value of hedged assets/Amounts | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| **1. Positive changes** | **-** | **-** |
| 1.1 of specific portfolios: | - | - |
| a) financial assets at amortized cost | - | - |
| b) financial assets at fair value through other comprehensive income | - | - |
| 1.2 overall | - | - |
| **2. Negative changes** | **(244,095)** | **(266,938)** |
| 2.1 of specific portfolios | (244,095) | (266,938) |
| a) financial assets at amortized cost | (244,095) | (266,938) |
| b) financial assets at fair value through other comprehensive income | - | - |
| 2.2 overall | - | - |
| **Total** | **(244,095)** | **(266,938)** |

## Section 8 – Insurance assets – 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 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| **1. Owened assets** | **82,047** | **84,653** |
| a) lands | 23,932 | 23,932 |
| b) buildings | 38,871 | 39,487 |
| c) office furniture and fittings | 2,808 | 3,042 |
| d) electronic system | 13,738 | 15,835 |
| e) other | 2,698 | 2,357 |
| **2. Assets under financial lease** | **61,752** | **61,555** |
| a) lands | - | - |
| b) buildings | 61,199 | 61,039 |
| c) office furniture and fittings | - | - |
| d) electronic system | - | - |
| e) other | 553 | 516 |
| **Total** | **143,799** | **146,208** |
| of which: obtained through enforcement of the guarantees received | - | - |

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the notes to the accounts.

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

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

No data to report.

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

No data to report.

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

No data to report.

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

No data to report.

### 9.9 Commitments for the purchase of tangible assets

As at 30 June 2023, contractual commitments for the purchase of tangible assets amounted to €3,257 thousand. We also report that there are no restrictions on the ownership of tangible assets and there are no tangible assets pledged as security for liabilities.

# Part B - Consolidated Balance Sheet

## Section 10 - Intangible assets - Item 100

### 10.1 Intangible assets: breakdown by assets type

(Amounts in € thousand)

| Activities/Values | Total 06/30/2023 | | Total 12/31/2022 | |
|---|---|---|---|---|
| | Finite life | Indefinite life | Finite life | Indefinite life |
| **A.1 Goodwill** | X | **89,602** | X | **89,602** |
| A.1.1 attributable to the group | X | 89,602 | X | 89,602 |
| A.1.2 attributable minorities | X | - | X | - |
| **A.2 Other intangible asset** | **8,329** | **27,459** | **9,328** | **27,459** |
| of which: software | 8,311 | - | 9,290 | - |
| A.2.1 Assets valued at cost: | 8,329 | 27,459 | 9,328 | 27,459 |
| a) Intangible assets generated internally | - | - | - | - |
| b) Other assets | 8,329 | 27,459 | 9,328 | 27,459 |
| A.2.2 Assets valued at fair value: | - | - | - | - |
| a) Intangible assets generated internally | - | - | - | - |
| b) Other assets | - | - | - | - |
| **Total** | **8,329** | **117,061** | **9,328** | **117,061** |

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

The useful life of software, considered for the calculation of amortisation, is 3 years, while the useful life of other intangible assets with definite life is 5 years. A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of Notes to the consolidated accounts.at 31 December 2022.

With regard to the considerations conducted as of June 30, 2023 regarding the impairment test of intangible assets with finite life and indefinite life, specifically goodwill, Fineco trademarks and domains, there are no indicators that would require adjustments to the related carrying amounts. For further details regarding the impairment test of intangible assets with indefinite useful lives, please refer to the paragraphs below.

### 10.3 Other information

As of June 30, 2023, contractual commitments for the purchase of intangible assets amounted to € 187 thousand.

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

# Part B - Consolidated Balance Sheet

***Other information – Intangible assets indefinited life Impairment test***

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

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

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

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

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

According to IAS 36, when determining the value in use of assets subject to impairment testing, reference must be made to the cash flows of assets in their current conditions at the testing date and representing the best estimate by the management of the overall economic conditions in place during the residual useful life of the asset.

For the purposes of impairment testing, the value in use of the cash generating unit (CGU) to which the intangible assets have been assigned must be calculated considering the cash flows for all the assets and liabilities included in the CGU and not just those for which goodwill and/or the intangible asset has been recognised upon application of IFRS 3.

***Definition of CGU***

Estimating the value in use for the purposes of any impairment testing of intangible assets, including goodwill, which do not independently generate cash flows, but only in conjunction with other business assets, requires that these assets first be attributed to operating units that are relatively autonomous in the business context (from the points of view of independent cash flows generated and of internal planning and reporting). These operating units are defined as Cash Generating Units (CGU).

Goodwill recorded in these consolidated financial statements, deriving from the separate financial statements of the Bank, relates to buy-outs of divisions or companies engaged in trading activities or the distribution of financial, banking and insurance products through personal financial advisors. These activities have been fully integrated with FinecoBank's ordinary operations, as a result it is not possible to isolate the contribution of each company/business division from the Bank's overall income; this means that to establish the recoverability of the value of goodwill recognised in the financial statements it is necessary to take account of the Bank's comprehensive income.

The cash generating unit (CGU) to be considered for the impairment test is therefore the Bank as a whole (including the contribution from the subsidiary Fineco 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 regard to the results of the impairment test, it should be noted that as of June 30, 2023 there were no indicators of impairment of goodwill and Fineco brands and domains recorded in the financial statements. In this regard, it should be noted that as of June 30, 2023, the Bank has assessed that the changes reasonably estimated in the prospective data used as of December 31, 2022 are not such as to have a significant impact on the outcome, positive, of the impairment test carried out with reference to that date, the results of which confirmed the sustainability of the goodwill recorded in the financial statements, not showing in any of the hypothesized scenarios the need for impairment, confirming a value in use significantly higher than the book value. The sensitivity analyses carried out on that date also show that the impairment test would reach a break-even level assuming changes currently not reasonably conceivable in the main parameters used in the valuation model (a discount rate after tax, “Ke” of about 32 percentage points, i.e. with a reduction of around 70% of annual earnings). It should also be noted that FinecoBank's stock has a market capitalization as of June 30, 2023 of € 7,520 million, significantly higher than the consolidated equity and the result of the model used for the impairment test, which confirms the reasonableness of the criteria applied in calculating value in use.

For more details on the impairment test and related sensitivity analysis, please refer to Part B - Information on the Consolidated Balance Sheet - Section 10 - Intangible Assets of the Notes to the consolidated accounts.at 31 December 2022.

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

The item "Tax assets" amounting to € 46,100 thousand at June 30, 2023. It is exclusively made of “Deferred tax assets" of € 46,100 thousand, already net of the offset with "Deferred tax liabilities" of € 4,008 thousand.

The item "Tax liabilities" amounting to € 65,017 thousand at the same date, it is exclusively made of "Current tax liabilities". There are no "Deferred tax liabilities" as they are offset against "Deferred tax assets" for € 4,008 thousand.

### Current Tax Assets and Liabilities

(Amounts in € thousand)

| Assets/Amounts | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| Current tax assets | - | - |
| Current tax liabilities | 65,017 | 42,627 |

### Deferred tax assets/liabilities

Deferred tax assets/liabilities are shown in the consolidated Balance Sheet net of the related deferred tax liabilities/assets; the detail is as follows:

- "Deferred tax assets" of € 48,348 thousand recognized as a balancing entry in the income statement;
- "Deferred tax assets" of € 1,760 thousand recognized as a balancing entry of shareholders' equity;
- "Deferred tax liabilities" of € 3,488 thousand recognized as a balancing entry in the income statement;
- "Deferred tax liabilities" of € 520 thousand recognized as a balancing entry of shareholders' equity.

In accordance with the law and regulations currently in force:

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

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

Regarding Fineco AM, current taxes were calculated using a 12.5% rate.

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

# Part B - Consolidated Balance Sheet

## 11.1 Deferred tax assets: breakdown

(Amounts in € thousand)

| Assets/Amounts | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| **Allocations through profit or loss** | **46,733** | **45,897** |
| - of which Patent Box ex D.L. n.3/2015 | 15,384 | 13,186 |
| - of which Provisions for Risks and Charges | 18,204 | 19,455 |
| - of which Realignment of goodwill art. 110 of D.L. n. 104/2020 | 9,705 | 9,807 |
| - of which Other | 3,440 | 3,449 |
| **Allocations through equity** | **1,760** | **1,926** |
| - of which Revaluation reserve application IAS 19 | 52 | - |
| - of which Financial assets at fair value through comprehensive income | 1,708 | 1,926 |
| **Impairment losses on receivables (of which pursuant to Law 214/2011)** | **1,615** | **2,407** |
| **Total before IAS 12 offset** | **50,108** | **50,230** |
| Offset against deferred tax liabilities - IAS 12 | (4,008) | (3,653) |
| **Total** | **46,100** | **46,577** |

## 11.2 Deferred tax liabilities: breakdown

(Amounts in € thousand)

| Assets/Amounts | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| **Allocations through profit or loss** | **3,488** | **3,057** |
| - of which Goodwill and Brand | 3,383 | 2,943 |
| - of which Other | 105 | 114 |
| **Allocations through equity** | **520** | **596** |
| - of which Revaluation reserve application IAS 19 | 520 | 596 |
| **Total before IAS 12 offset** | **4,008** | **3,653** |
| Offset against deferred tax assets - IAS 12 | (4,008) | (3,653) |
| **Total** | **-** | **-** |

# Part B - Consolidated Balance Sheet

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

No data to report.

## Section 13 – Other assets – Item 130

### 13.1 Other assets: breakdown

(Amounts in € thousand)

| | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| Trade receivables according to IFRS15 | 1,927 | 7,896 |
| Tax credits purchased | 1,341,774 | 1,093,255 |
| Current receivables not related with the provision of financial services | 1,862 | 2,050 |
| Receivables due to disputed items not deriving from lending | 129 | 129 |
| Improvement and incremental expenses incurred on leasehold assets | 3,000 | 3,691 |
| Definitive items not recognised under other items: | 20,533 | 19,673 |
| - securities and coupons to be settled | 4,647 | 3,589 |
| - other transactions | 15,886 | 16,084 |
| Tax items other than those included in the item "Tax assets": | 232,104 | 295,937 |
| - tax advances | 226,707 | 290,700 |
| - tax credit | 5,397 | 5,237 |
| Items awaiting settlement | 7,506 | 4,153 |
| Items in processing | 7,790 | 7,753 |
| - POS, bancomat and Visa debit | 7,771 | 7,749 |
| - Others | 19 | 4 |
| Items in transit not allocated to relevant accounts | 1 | 1 |
| Accrued income and prepaid expenses other than those related to contracts to customers and other than capitalised in related financial assets or liabilities | 22,593 | 16,980 |
| Accrued income and prepaid expenses related to contracts with customers other than capitalised in related financial assets or liabilities | 83,730 | 80,407 |
| **Total** | **1,722,949** | **1,531,925** |

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

It should be noted that among the Tax Credits pursuant to art. 121 of Law Decree 34/2020 purchased by FinecoBank on the secondary market, for a total amount of € 393,021 thousand, also include credits that have been subject to preventive seizure in criminal proceedings, for a total amount of € 55,906 thousand. Given the Bank's total extraneousness to the facts under investigation, in these consolidated interim financial statements the aforementioned receivables have remained recognised as tax receivables (item “Tax credits purchased”), in light of the principle according to which, where it is found that the assigning taxpayer had no right to deduction, the assignees are only liable for any use of the tax credit in an irregular manner or to a greater extent than the tax credit received (para. 6 of Art. 121 cited above) or in the case of complicity with fraud or gross negligence, with the latter being excluded in the case of the acquisition of all the prescribed documentation (see paragraph 6-bis inserted in Article 121 of LD 34/2020 by Decree-Law No. 11 of February 16th, 2023). In this regard, it should be noted that: i) since this is a sub-transfer, there was no relationship between FinecoBank and the original beneficiary of the deduction and that, in line with best practice, FinecoBank has put in place a series of in-depth controls, also with the support of specialised companies, in order to prevent any form of liability; ii) both the clauses and protections included in the contract of assignment of the receivables in question and the rules referred to therein (in particular, articles 1260 et seq. of the Italian Civil Code) provide adequate protection for FinecoBank, which can claim rights both It should also be noted that, pursuant to Decree-Law No. 4 of January 27th, 2022, converted into Law No. 25 of March 28th 2022, Article 28-ter, in the event that the tax credits pursuant to Articles 121 and 122 of Decree-Law no. 34 of 2020 cannot be used because they have been seized by the judicial authorities, the term for the utilisation of the residual portions at the time of the termination of the seizure is increased by a period equal to the duration of the seizure itself.

# Part B - Consolidated Balance Sheet

## Liabilities

### Section 1 - Financial liabilities at amortised cost - Item 10

#### 1.1 Financial liabilities at amortised cost: product breakdown deposits from banks

(Amounts in € thousand)

| Transactions type/Amounts | Total 06/30/2023 | | | | Total 12/31/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | Fair Value | | | BV | Fair Value | | |
| | | L1 | L2 | L3 | | L1 | L2 | L3 |
| **1. Deposits from central banks** | **-** | X | X | X | **-** | X | X | X |
| **2. Deposits from banks** | **1,299,539** | X | X | X | **1,677,235** | X | X | X |
| 2.1 Other current accounts and demand deposits | 1,038 | X | X | X | 7,812 | X | X | X |
| 2.2 Time deposits | - | X | X | X | - | X | X | X |
| 2.3 Loans | 72,071 | X | X | X | 55,321 | X | X | X |
| 2.3.1 Repos | 72,071 | X | X | X | 55,321 | X | X | X |
| 2.3.2 Other | - | X | X | X | - | X | X | X |
| 2.4 Liabilities relating of commitments to repurchase treasury shares | - | X | X | X | - | X | X | X |
| 2.5 Lease liabilities | 3,699 | X | X | X | 3,691 | X | X | X |
| 2.6 Other liabilities | 1,222,731 | X | X | X | 1,610,411 | X | X | X |
| **Total** | **1,299,539** | **-** | **-** | **1,299,539** | **1,677,235** | **-** | **-** | **1,677,235** |

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

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

Item 2.6 Other liabilities mainly includes variation margins received for derivative transactions.

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

# Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

| Transactions type/Amounts | Total 06/30/2023 | | | | Total 12/31/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | Fair Value | | | BV | Fair Value | | |
| | | L1 | L2 | L3 | | L1 | L2 | L3 |
| 1. Current accounts and demand deposits | 28,499,485 | X | X | X | 30,538,691 | X | X | X |
| 2. Time deposits | - | X | X | X | - | X | X | X |
| 3. Loans | 434,168 | X | X | X | 930,840 | X | X | X |
| 3.1 Reverse repos | 434,168 | X | X | X | 930,840 | X | X | X |
| 3.2 Other | - | X | X | X | - | X | X | X |
| 4. Liabilities relating of commitments to repurchase treasury shares | - | X | X | X | - | X | X | X |
| 5. Lease payables | 59,751 | X | X | X | 59,660 | X | X | X |
| 6. Other liabilities | 194,357 | X | X | X | 166,456 | X | X | X |
| **Total** | **29,187,761** | **-** | **-** | **29,187,761** | **31,695,647** | **-** | **-** | **31,695,647** |

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

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

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

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

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

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

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

# Part B - Consolidated Balance Sheet

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

(Amounts in € thousand)

| Type of securities/Values | Total 06/30/2023 | | | | Total 12/31/2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | BV | Fair Value | | | BV | Fair Value | | |
| | | L1 | L2 | L3 | | L1 | L2 | L3 |
| **A. Debts securities including bonds** | | | | | | | | |
| 1. bonds | 803,054 | 743,090 | - | - | 497,926 | 428,061 | - | - |
| 1.1 structured | - | - | - | - | - | - | - | - |
| 1,2 other | 803,054 | 743,090 | - | - | 497,926 | 428,061 | - | - |
| 2. other securities | - | - | - | - | - | - | - | - |
| 2.1 structured | - | - | - | - | - | - | - | - |
| 2.2 other | - | - | - | - | - | - | - | - |
| **Total** | **803,054** | **743,090** | **-** | **-** | **497,926** | **428,061** | **-** | **-** |

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

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

# Part B - Consolidated Balance Sheet

## Section 2 - Financial liabilities held for trading - Item 20

### 2.1 Financial liabilities held for trading: product breakdown

(Amounts in € thousand)

| Transactions type/Amounts | Total 06/30/2023 | | | | | Total 12/31/2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | NA | Fair Value | | | Fair Value * | NA | Fair Value | | | Fair Value * |
| | | L1 | L2 | L3 | | | L1 | L2 | L3 | |
| **A. Cash liabilities** | | | | | | | | | | |
| 1. Deposits from banks | - | - | - | - | - | - | - | - | - | - |
| 2. Deposits from customers | 24 | 1,948 | - | 3 | 1,951 | 593 | 396 | - | 3 | 399 |
| 3. Debt securities | - | - | - | - | X | - | - | - | - | X |
| 3.1 Bonds | - | - | - | - | X | - | - | - | - | X |
| 3.1.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 3.1.2 Other bonds | - | - | - | - | X | - | - | - | - | X |
| 3.2 Other securities | - | - | - | - | X | - | - | - | - | X |
| 3.2.1 Structured | - | - | - | - | X | - | - | - | - | X |
| 3.2.2 Others | - | - | - | - | X | - | - | - | - | X |
| **Total (A)** | **24** | **1,948** | **-** | **3** | **1,951** | **593** | **396** | **-** | **3** | **399** |
| **B. Derivatives** | | | | | | | | | | |
| 1. Financial derivatives | X | 4,708 | 1,879 | - | X | X | 2,788 | 1,387 | - | X |
| 1.1 Trading derivatives | X | 4,708 | 1,879 | - | X | X | 2,788 | 1,387 | - | X |
| 1.2 Related to the fair value option | X | - | - | - | X | X | - | - | - | X |
| 1.3 Other | X | - | - | - | X | X | - | - | - | X |
| 2. Credits derivatives | X | - | - | - | X | X | - | - | - | X |
| 2.1 Trading derivatives | X | - | - | - | X | X | - | - | - | X |
| 2.2 Linked to fair value option | X | - | - | - | X | X | - | - | - | X |
| 2.3 Other | X | - | - | - | X | X | - | - | - | X |
| **Total (B)** | **X** | **4,708** | **1,879** | **-** | **X** | **X** | **2,788** | **1,387** | **-** | **X** |
| **Total (A+B)** | **X** | **6,656** | **1,879** | **3** | **X** | **X** | **3,184** | **1,387** | **3** | **X** |

**Key:**
NA = notional amount
L1 = Level 1
L2 = Level 2
L3 = Level 3
FV* = Fair value calculated excluding the changes in value due to the change in the issuer's credit rating since the issue date

Financial derivatives refer to the negative valuation of CFD, Knock Out Options and Certificates issued, as well as derivative contracts regulated or entered into with institutional counterparties used for the operational hedging of the above mentioned derivatives. They amounted to € 3,347 thousand (€ 1,784 thousand as at December 31, 2022).

Sub-item B.1.1 “Derivative instruments - Trading financial derivatives” includes the negative valuations of spot contracts for securities that meets the definition of held for trading and currencies to be settled in times established by market practices ("regular way"). They amounted to € 3,240 thousand (€ 2,391 thousand as at December 31, 2022).

# Part B - Consolidated Balance Sheet

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

No data to report.

## Section 4 - Hedging derivatives - Item 40

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

(Amounts in € thousand)

| | Fair value | 06/30/2023 | | NA | Fair value | 12/31/2022 | | NA |
|---|---|---|---|---|---|---|---|---|
| | L1 | L2 | L3 | 06/30/2023 | L1 | L2 | L3 | 12/31/2022 |
| **A. Financial derivatives** | **-** | **60,882** | **-** | **3,145,000** | **-** | **63,752** | **-** | **3,420,000** |
| 1) Fair value | - | 60,882 | - | 3,145,000 | - | 63,752 | - | 3,420,000 |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| 3) Net investment in foreign subsidiaries | - | - | - | - | - | - | - | - |
| **B. Credit derivatives** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1) Fair value | - | - | - | - | - | - | - | - |
| 2) Cash flows | - | - | - | - | - | - | - | - |
| **Total** | **-** | **60,882** | **-** | **3,145,000** | **-** | **63,752** | **-** | **3,420,000** |

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

# Part B - Consolidated Balance Sheet

## Section 5 – Changes in fair value of portfolio hedged financial liabilities - Item 50

### 5.1 Changes to macro-hedged financial liabilities

(Amounts in € thousand)

| Adjustments to the value of hedged liabilities/Components of the group | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| 1. Positive changes to financial liabilities | - | - |
| 2. Negative changes to financial liabilities | (74,320) | (66,932) |
| **Total** | **(74,320)** | **(66,932)** |

## Section 6 – Tax liabilities – Item 60

See section 11 of assets.

## Section 7 – Liabilities included in disposal groups classified as held for sale – Item 70

See section 12 of assets.

# Part B - Consolidated Balance Sheet

## Section 8 – Other liabilities - Item 80

### 8.1 Other liabilities: breakdown

(Amounts in € thousand)

| Items/Amounts | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| Payables to Directors and Statutory auditors | 287 | 241 |
| Payables to employees | 18,269 | 17,305 |
| Social security contributions payable | 6,884 | 7,717 |
| Current payables not related to the provision of financial services | 37,963 | 42,589 |
| Definitive items not recognised under other items: | 178,901 | 45,955 |
| - securities and coupons to be settled | 11,852 | 10,318 |
| - payment authorisations | 152,703 | 24,480 |
| - other items | 14,346 | 11,157 |
| Tax items other than those included in the item "Tax liabilities": | 53,016 | 55,995 |
| - sums withheld from third parties as withholding agent | 40,855 | 31,631 |
| - other | 12,161 | 24,364 |
| Illiquid items for portfolio transactions | 12,264 | 2,017 |
| Items awaiting settlement: | 97,778 | 130,091 |
| - outgoing bank transfers | 97,716 | 115,172 |
| - POS and ATM cards | 62 | 14,919 |
| Items in processing: | 4,660 | 880 |
| - incoming bank transfers | 4,628 | 808 |
| - other items in processing | 32 | 72 |
| Accrued expenses and deferred income other than those related to contracts with customers and other than capitalised on the related financial assets or liabilities | 238 | 275 |
| Deferred income related to contracts with customers other than those capitalised on the related financial assets or liabilities | 19,222 | 19,572 |
| Sums available to be paid to customers | 13,959 | 11,715 |
| **Total** | **443,441** | **334,352** |

# Part B - Consolidated Balance Sheet

## Section 9 - Provisions for employee severance pay - Item 90

### 9.1 Provisions for employee severance pay: annual changes

(Amounts in € thousand)

| | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| **A. Opening balance** | **3,942** | **5,033** |
| **B. Increases** | **110** | **49** |
| B.1 Provision of the year | 79 | 49 |
| B.2 Other increases | 31 | - |
| **C. Decreases** | **(25)** | **(1,140)** |
| C.1 Severance payments | (25) | (43) |
| C.2 Other decreases | - | (1,097) |
| **D. Closing balance** | **4,027** | **3,942** |
| **Total** | **4,027** | **3,942** |

| **Description of the main actuarial assumptions** | **06/30/2023** | **12/31/2022** |
|---|---|---|
| Discount rate | 4.00% | 4.10% |
| Expected inflation rate | 2.50% | 2.50% |

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

### 10.1 Provisions risk and charges: breakdown

(Amounts in € thousand)

| **Items/Components** | **Total 06/30/2023** | **Total 12/31/2022** |
|---|---|---|
| 1. Provisions for credit risk of commitments and financial guarantees given | 55 | 36 |
| 2. Provisions for other commitments and other guarantees given | 74 | 38 |
| 3. Provisions for retirement payments and similar obligations | - | - |
| 4. Other provisions for risks and charges | 106,397 | 105,291 |
| 4.1 legal and tax disputes | 27,424 | 27,417 |
| 4.2 staff expenses | 3,554 | 6,799 |
| 4.3 other | 75,419 | 71,075 |
| **Total** | **106,526** | **105,365** |

Item 4.1 “legal and tax disputes” mainly includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties for € 23,958 thousand (€ 24,000 thousand as at December 31st, 2022) and provisions for tax disputes (penalties and interest) for € 3,466 thousand (€ 3,417 thousand as at December 31st, 2022). In addition to the costs incurred by the Group in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Group in ongoing

# Part B - Consolidated Balance Sheet

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 € 73,952 thousand (€ 68,584 thousand as at December 31st, 2022), Contractual Indemnity Fund and non-competition agreements, of € 194 thousand (€ 189 thousand as at December 31st, 2022) and other provisions made for risks related to the Group’s business and operations, of € 1,633 thousand (€ 2,108 thousand as at December 31st, 2022), including, in particular, provisions made for training events for personal financial advisors.

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

(Amounts in € thousand)

| | Funds for credit risk related to financial obligation and warranties release | | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | Total |
| 1. Loan commitments given | 47 | - | 5 | - | 52 |
| 2. Financial guarantees given | 3 | - | - | - | 3 |
| **Total** | **50** | **-** | **5** | **-** | **55** |

## 10.4 Provisions on other commitments and other guarantees given

(Amounts in € thousand)

| Items/Components | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| 1. Other guarantees given | - | - |
| 2. Other commitments | 74 | 38 |
| **Total** | **74** | **38** |

## 10.5 Pensions and other post-retirement defined-benefit obligations

No data to report.

# Part B - Consolidated Balance Sheet

## 10.6 Provisions for risks and charges - other provisions

(Amounts in € thousand)

| | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| **Legal and fiscal disputes** | **27,424** | **27,417** |
| - Pending cases | 20,013 | 19,661 |
| - Complaints | 3,945 | 4,339 |
| - Tax disputes | 3,466 | 3,417 |
| **Staff expenses** | **3,554** | **6,799** |
| **Others** | **75,419** | **71,075** |
| - Supplementary customer indemnity provision | 73,592 | 68,584 |
| - Provision for contractual payments and payments under non-competition agreements | 194 | 383 |
| - Other provisions | 1,633 | 2,108 |
| **Total provisions for risks and charges - other provisions** | **106,397** | **105,291** |

(Amounts in € thousand)

| Provisions for risks and charges | Total 12/31/2022 | Uses | Transfers and other changes | Actuarial gains (losses) IAS 19R * | Net provisions** | Total 06/30/2023 |
|---|---|---|---|---|---|---|
| **Legal and fiscal disputes** | **27,417** | **(1,344)** | **-** | **-** | **1,351** | **27,424** |
| - Pending cases | 19,661 | (994) | 61 | - | 1,285 | 20,013 |
| - Complaints | 4,339 | (350) | (61) | - | 17 | 3,945 |
| - Tax disputes | 3,417 | - | - | - | 49 | 3,466 |
| **Staff expenses** | **6,799** | **(6,721)** | **-** | **-** | **3,476** | **3,554** |
| **Others** | **71,075** | **(2,669)** | **-** | **2,163** | **4,850** | **75,419** |
| - Supplementary customer indemnity provision | 68,584 | (1,169) | - | 2,163 | 4,014 | 73,592 |
| - Provision for contractual payments and payments under non-competition agreements | 383 | - | - | - | (189) | 194 |
| - Other provisions | 2,108 | (1,500) | - | - | 1,025 | 1,633 |
| **Total provisions for risks and charges - other provisions** | **105,291** | **(10,734)** | **-** | **2,163** | **9,677** | **106,397** |

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

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

| Description of the main actuarial assumptions | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Discount rate | 4.00% | 4.10% |
| Rate salary increase | 0.00% | 0.00% |

For further information and details on the amount, timing and uncertainty of financial flows (sensitivity), please refer to the Consolidated Financial Statements at December 31, 2022.

The **Provision for legal disputes** includes provisions made to cover complaints and disputes for damage to customers arising from the unlawful behaviour of the Bank's personal financial advisors, provisions relating to pending disputes with personal financial advisors (generally employment-related) and other ongoing court and out-of-court litigation with customers, in relation to normal banking activities, and other parties. In addition to the costs incurred by the Group in the event of an unfavourable conclusion of the dispute, this provision includes the estimate of the costs to be paid to legal advisors and any technical consultants and/or experts who assist the Group in ongoing disputes to the extent that it is believed that they will not

# Part B - Consolidated Balance Sheet

be reimbursed by the counterparties. This estimate was determined by the Group in relation to the ongoing litigation, mainly on the basis of the Forensic Tariffs envisaged by current legislation.

The **Supplementary customer indemnity provision** 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 and is contractually provided. The valuation of the burden related to the outstanding obligations at the end of the period is carried out with the support of an independent external actuary, but since the amount is not significant, the valuation is carried out annually.

The **provision for non-competition agreements** was reduced to zero in the first half of 2023, as there are no longer any such agreements with personal financial advisors.

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, including, in particular, provisions for training events for financial advisors.

## Section 11 – Insurance liabilities – Item 110

No data to report.

## Section 12 - Redeemable shares - Item 130

No data to report.

# Part B - Consolidated Balance Sheet

## Section 13 - Group Shareholders' equity - Items 120, 130, 140, 150, 160, 170 and 180

### 13.1 "Share capital" and "Treasury shares": breakdown

As at June 30, 2023, share capital came to € 201,508 thousand, comprising 610,631,635 ordinary shares with a par value of € 0.33 each.

As at 30 June 2023, the Group held in the portfolio 91,459 FinecoBank ordinary shares, in order to execute the PFA incentive plans of the Bank, corresponding to 0.015% of the share capital, for an amount of € 1,243 thousand. During first half 2023 n. 31,000 shares, for an amount of € 519 thousand, were purchased in relation to the "2022 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. n. 3,435, n. 8,227, n. 12,781, n. 45,380 and n. 6,197 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2018 PFA Incentive System", "2019 PFA Incentive System", "2020 PFA Incentive System", "2021 PFA Incentive System" and "2018-2020 Long Term Incentive Plan for Financial Advisors Identified Staff", for an amount of € 990 thousand.

The Board of Directors of FinecoBank on February 7, 2023, considering the positive result of the verification of the minimum conditions of access at the Group level and the individual ones (behavior compliance and continuous employment), as well as the favourable opinion of the Remuneration Committee meeting on February 6, 2023, approved:

- the allocation:
  - the allocation of the fourth share tranche of the 2017 plan, awarded in 2018, corresponding to 27,426 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 9th, 2017, and subsequent meeting held on January 10th 2018;
  - the allocation of the third share tranche of the 2018 plan and of the fourth share tranche of the severance payment agreed in 2018 for an executive with strategic responsibility, awarded in 2019, corresponding to overall 42,049 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2018;
  - the allocation of the second and third share tranche of the 2019 plan, awarded in 2020, corresponding to 33,898 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 10th, 2019;
  - the allocation of the second share tranche of the 2020 plan, awarded in 2021, corresponding to 1,908 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 15th, 2020;
  - the allocation of the first share tranche of the 2021 plan, awarded in 2022, corresponding to 64,324 free ordinary shares, in line with the maximum amount approved by the Board of Directors on January 19th, 2021;

  and, consequently, a free capital increase effective from March 31st, 2023 for a total amount of € 56 thousand corresponding to 169,605 free FinecoBank ordinary shares with a nominal value of € 0.33 each (with the same characteristics as those in circulation and with regular dividend entitlement), in partial exercise of the authority granted to the Board of Directors by the Extraordinary Shareholders' Meeting of April 11th 2018, April 10th 2019, April 28th 2020 and April 28th 2021 pursuant to Article 2443 of the Italian Civil Code. The dilution effect resulting from the above free capital increase has been quantified as 0.03% of the fully diluted capital;
- the allocation of the first, second and third tranches in shares of the "2018-2020 Long Term Incentive Plan" for the FinecoBanks' employees, granted in 2018 and corresponding to 342,170 free ordinary FinecoBank shares, and, consequently, a free share capital increase in the total amount of € 113 thousand effective March 31, 2023 in partial exercise of the delegation of authority to the Board of Directors granted by the Extraordinary Shareholders' Meeting of April 11, 2018 pursuant to Article 2443 of the Civil Code.

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

(Amounts in € thousand)

| | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|
| Share capital | 201,508 | 201,340 |
| Share premium reserve | 1,934 | 1,934 |
| Reserves | 899,315 | 778,211 |
| (Treasury shares) | (1,243) | (1,714) |
| Revaluation reserves | 1,063 | 2,121 |
| Equity instruments | 500,000 | 500,000 |
| Net Profit (Loss) for the year | 308,880 | 428,505 |
| **Total** | **1,911,457** | **1,910,397** |

# 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** | **609,983,381** | **-** |
| - fully paid | 610,119,860 | - |
| - not fully paid | - | - |
| A.1 treasury shares (-) | (136,479) | - |
| **A.2 Shares outstanding: Opening balance** | **609,983,381** | **-** |
| **B. Increases** | **587,795** | **-** |
| B.1 New issues | 511,775 | - |
| - against payment: | - | - |
| - business combination | - | - |
| - bonds converted | - | - |
| - warrants exercised | - | - |
| - others | - | - |
| - free: | 511,775 | - |
| - to employees | 500,667 | - |
| - to directors | - | - |
| - others | 11,108 | - |
| B.2 Sales of treasury shares | - | - |
| B.3 Other changes | 76,020 | - |
| **C. Decreases** | **(31,000)** | **-** |
| C.1 Cancellation | - | - |
| C.2 Purchase of treasury shares | (31,000) | - |
| C.3 Business tranferred | - | - |
| C.4 Other changes | - | - |
| **D. Shares outstanding: closing balance** | **610,540,176** | **-** |
| D.1 Treasury shares (+) | 91,459 | - |
| D.2 Shares outstanding at the end of the year | 610,631,635 | - |
| - fully paid | 610,631,635 | - |
| - not fully paid | - | - |

The item B.3 “Other changes” reports the shares allocated to the personal financial advisors under the stock granting plans "2018 PFA Plan", “2019 PFA Plan”, “2020 PFA Plan”, “2021 PFA Plan” and “2018-2020 Long Term Incentive Plan for Financial Advisors Identified Staff” for FinecoBank’s Personal Financial Advisors and Network Managers.

### 13.3 Share capital: other information

The shares are not subject to any right, privilege or constraint; there are no shares reserved for issue under option and sales contracts.

# Part B - Consolidated Balance Sheet

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

The reserves from profits consist of the:

- Legal reserve, amounting to € 40,302 thousand;
- Reserve for treasury shares held, amounting to € 1,243 thousand;
- Consolidation reserve, amounting to € 34,686 thousand;
- Reserves of unavailable profits pursuant to article 6 paragraph 2 of Legislative Decree 38/2005, for an amount equal to € 2,241 thousand;
- other reserves from profits, amounting to € 777,616 thousand, of which € 86,354 thousand subject to a taxability restriction in the event of distribution, allocated following the tax realignment of goodwill provided for by article 110 of Decree-Law 104 of 2020.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", the Board of Directors of FinecoBank held on February 7, 2023 approved execution of the incentive/loyalty systems with a consequent increase in share capital, against with the reserves from profits have been reduced for an amount of € 169 thousand. The reserve form profits, in particular the extraordinary reserve, was also used for the payment of costs directly attributable to the aforementioned capital increase operations, for an amount of € 6 thousand net of the related taxes.

As previously mentioned in para. 13.1 "Share capital and Treasury shares: breakdown", during first half 2023 n. 31,000 shares, for an amount of € 519 thousand, were purchased in relation to the "2022 PFA Incentive System" for personal financial advisors identified as "Key personnel" and n. 3,435, n. 8,227, n. 12,781, n. 45,380 and n. 6,197 FinecoBank ordinary shares held in the portfolio were assigned to personal financial advisors respectively in execution to the "2018 PFA Incentive System", "2019 PFA Incentive System", "2020 PFA Incentive System", "2021 PFA Incentive System" and "2018-2020 Long Term Incentive Plan" for Financial Advisors Identified Staff, for an amount of € 990 thousand. Consequently, the Reserve for treasury shares reduced by a total of € 471 thousand, with a simultaneous increase in the Extraordinary reserve.

The FinecoBank Shareholders' Meeting of April 27, 2023 approved the allocation of profit for the year 2022 of FinecoBank S.p.A. amounting to € 421,985 thousand, as follows:

- to the 610,631,635 ordinary shares with a par value of € 0.33, constituting the share capital including 511,775 shares related to the capital increase to support the employee incentive system approved by the Board of Directors on February 7, 2023, a unit dividend of € 0.49 totaling € 299,210 thousand;
- € 34 thousand to the Legal reserve, corresponding to 0.008% of the profit for the year, having reached the limit of a fifth of the share capital;
- € 721 thousand to the reserve of unavailable pursuant to article 6 paragraph 2 of Legislative Decree 38/2005:
- € 122,021 thousand to the extraordinary reserves.

The portion of dividends not distributed in respect of the Bank's treasury shares held on the record date, amounting to € 45 thousand, was also turned over to the Extraordinary Reserves.

The FinecoBank Shareholders' Meeting of 27 April 2023 also approved the elimination of the negative reserve arising from the valuation of equity securities designated at fair value with an impact on comprehensive income by hedging the same with the use of the available extraordinary reserve in the amount of €136.77. This reserve had been recognised following the sale transaction, effective as of 27 September 2022, of the 20 shares of UniCredit Services S.C.p.A., held by FinecoBank for an amount of € 172.37 and sold for an amount of € 35.6.

Lastly, during the first half 2023, Extraordinary Reserves were used for the payment of the Additional Tier 1's coupons issued by the Bank on 31 January 2018, for € 3,494 thousand net of the related taxation, and for the payment of transaction costs directly attributable to the issue and of the coupon of the Additional Tier 1 issued on 11 July 2019, for an amount of € 6,389 thousand net of the related taxation.

# 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[20], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%. Starting from3 June 2023 and for the next five years, the coupon was set at 7.363%;
- 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 2023.

### 13.6 Other information

No data to report.

## Section 14 – Minority interests – Item 190

No data to report.

[20] Unrated and unlisted

# Part B - Consolidated Balance Sheet

## OTHER INFORMATION

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

### 1. Commitments and financial guarantees issued

(Amounts in € thousand)

| | Nominal value of commitments and financial guarantees given | | | | Total 06/30/2023 | Total 12/31/2022 |
|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired financial assets | | |
| **1. Commitment to supply funds** | **22,833** | **612** | **58** | **-** | **23,503** | **16,747** |
| a) Central Banks | - | - | - | - | - | - |
| b) Public Administration | - | - | - | - | - | - |
| c) Banks | - | - | - | - | - | - |
| d) Other financial companies | 105 | - | - | - | 105 | 13 |
| e) Non-financial companies | 182 | - | - | - | 182 | 59 |
| f) Families | 22,546 | 612 | 58 | - | 23,216 | 16,675 |
| **2. Financial guarantees issued** | **28,001** | **-** | **-** | **-** | **28,001** | **28,685** |
| a) Central Banks | - | - | - | - | - | - |
| b) Public Administration | - | - | - | - | - | - |
| c) Banks | 17,170 | - | - | - | 17,170 | 17,170 |
| d) Other financial companies | - | - | - | - | - | - |
| e) Non-financial companies | - | - | - | - | - | - |
| f) Families | 10,831 | - | - | - | 10,831 | 11,515 |

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, 2022).

# Part B - Consolidated Balance Sheet

## 2. Other commitments and other guarantees given

(Amounts in € thousand)

| | Nominal amount Total 06/30/2023 | Nominal amount Total 12/31/2022 |
|---|---|---|
| **1. Other guarantees given** | | |
| of which: impaired credit exposures | - | - |
| a) Central Banks | - | - |
| b) Governments | - | - |
| c) Banks | - | - |
| d) Other financial companies | - | - |
| e) Non-financial companies | - | - |
| f) Households | - | - |
| **2. Other commitments** | **2,426,209** | **2,330,931** |
| of which: impaired credit exposures | 123 | 101 |
| a) Central Banks | - | - |
| b) Governments | - | - |
| c) Banks | 2,476 | 2,502 |
| d) Other financial companies | 22,229 | 19,492 |
| e) Non-financial companies | 3,872 | 2,525 |
| f) Households | 2,397,632 | 2,306,412 |

Other commitments refer to the margins available on revocable credit lines granted to customers and spot sales of securities to be settled in times established by market practices ("regular way").

## 3. Assets given as collateral for own liabilities and commitments

(Amounts in € thousand)

| Portfolios | Amounts 06/30/2023 | Amounts 12/31/2022 |
|---|---|---|
| 1. Financial assets at fair value through profit and loss | - | 13 |
| 2. Financial assets at fair value through other comprehensive income | - | - |
| 3. Financial assets at amortized cost | 1,658,433 | 4,946,516 |
| 4. Property, plant and equipment | - | - |
| of which: Property, plant and equipment material assets that constitute inventories | - | - |

Assets given as collateral for own liabilities and commitments shown in the above table refer to:

- debt securities, mainly government bonds, and to a lesser extent equity securities, pledged as collateral of repos with the obligation for the buyer to resell the assets covered by the transaction upon expiration of said transaction. The securities are given as collateral for the entire duration of the transaction;
- debt securities, mainly government bonds, pledged as collateral for bankers' drafts, as guarantee for transactions with the Cassa di Compensazione e Garanzia, to guarantee the operation in foreign markets and/or as guarantee for transactions in derivatives. Securities are used as collateral until the Group decides to stop the transactions for which the collateral or guarantees are granted;
- variation margins, initial margins and guarantee deposits, including the default fund, against transactions in derivative contracts and financial instruments;
- debt securities issued by UniCredit S.p.A. given as collateral in securities lending transactions carried out with customers. The securities are given as collateral for the entire duration of the transaction.

# Part B - Consolidated Balance Sheet

As described above, it should be noted that the item "Financial assets measured at amortised cost" includes variation margins, initial margins and guarantee deposits, including the default fund, against transactions in derivative contracts and financial instruments; these assets were not included in the table "3. Assets given as collateral for own liabilities and commitments" published in the 2022 Financial Statements, whose value, totalling € 301,154 thousand, was reported at the bottom of the same. For consistency of comparison, the 2022 comparative figure was restated.

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

No data to report.

## 8. Securities lending transactions

The Group, in particular the Bank, conducts securities lending transactions on a continuous and systematic basis, with the objective of satisfying the requests of its customers, of institutional counterparties and obtaining a profit. The Bank operates either as a borrower, borrowing securities from its customers, or as a lender, using the borrowed securities for cash-secured securities lending transactions with retail and institutional customers interested in temporary ownership of securities or lending proprietary securities, without collateral or with collateral represented by other securities, to institutional customers interested in temporary ownership.

Against securities lending transactions guaranteed by other securities carried out by the Bank as a borrower with retail customers ("remunerated Portfolio"), the Bank issued as collateral UniCredit S.p.A. bonds, recorded in “Financial asset at amortised cost”, held in a dedicated dossier at the custodian bank for an amount higher than that of the securities borrowed by the customers, with the aim of providing a collective guarantee.

The face value of the underlying securities received on a loan and not recognised as assets in the accounts totalled € 98,418 thousand, for a fair value of € 152,470 thousand, as detailed in the table below. Securities borrowed under securities lending transactions secured by sums of money at the lender's full disposal, which are equivalent to repurchase agreements on securities, recognised in Financial assets measured at amortised cost, are excluded.

The carrying amount of own securities recognised in Financial assets at amortised cost and delivered in securities lending transactions without collateral or with collateral represented by other securities is € 1,427,980 thousand.

(Amounts in € thousand)

| | Type of securities - Nominal value June 30, 2023 | | |
|---|---|---|---|
| **Securities received on loan from:** | **Sold** | **Sold in repos** | **Other purposes** |
| Banks | - | - | - |
| Financial companies | - | 1 | - |
| Insurance companies | - | - | - |
| Non-financial companies | - | 1,213 | 2 |
| Other entities | 573 | 89,349 | 7,280 |
| **Total nominal value** | **573** | **90,563** | **7,282** |

(Amounts in € thousand)

| | Type of securities - Fair value June 30, 2023 | | |
|---|---|---|---|
| **Securities received on loan from:** | **Sold** | **Sold in repos** | **Other purposes** |
| Banks | - | - | - |
| Financial companies | 28 | 214 | - |
| Insurance companies | - | - | - |
| Non-financial companies | 55 | 1,347 | 12 |
| Other entities | 1,948 | 133,551 | 15,315 |
| **Total *fair value*** | **2,031** | **135,112** | **15,327** |

## 9. Disclosure on joint control activities

No data to report.

# Part C - Consolidated Income Statement

## Section 1 - Interest - Items 10 and 20

### 1.1 Interest income and similar revenues: breakdown

(Amounts in € thousand)

| Items/Technical forms | Debt securities | Loans | Other operations | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|---|---|---|
| **1. Financial assets at fair value though profit and loss:** | **3** | **-** | **-** | **3** | **2** |
| 1.1 Financial assets held for trading | - | - | - | - | - |
| 1.2 Financial assets designated at fair value | - | - | - | - | - |
| 1.3 Other financial assets mandatorily at fair value | 3 | - | - | 3 | 2 |
| **2. Financial assets at fair value through other comprehensive income** | **125** | **-** | **X** | **125** | **86** |
| **3. Financial assets at amortised cost:** | **149,028** | **90,419** | **X** | **239,447** | **139,956** |
| 3.1 Loans and receivables to banks | 30,591 | 6,211 | X | 36,802 | 20,504 |
| 3.2 Loans and receivables to customers | 118,437 | 84,208 | X | 202,645 | 119,452 |
| **4. Hedging derivatives** | **X** | **X** | **97,707** | **97,707** | **(24,796)** |
| **5. Other assets** | **X** | **X** | **33,835** | **33,835** | **5,388** |
| **6. Financial liabilities** | **X** | **X** | **X** | **81** | **8,880** |
| **Total** | **149,156** | **90,419** | **131,542** | **371,198** | **129,516** |
| of which: income interests on impaired financial assets | - | 125 | - | 125 | 120 |
| of which: interest income on financial lease | X | - | X | - | - |

The TLTRO III transactions were repaid in full during the financial year 2022. Interest accrued as at 30 June 2022, reported under item 6. "Financial liabilities", amounted to € 5,254 thousand.

# Part C - Consolidated Income Statement

### 1.3 Interest expenses and similar charges: breakdown

(Amounts in € thousand)

| Items/Technical forms | Debts | Securities | Other operations | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|---|---|---|
| 1. Financial liabilities at amortized cost | (38,523) | (6,478) | X | (45,001) | (2,712) |
| 1.1 Deposits from central banks | - | X | X | - | - |
| 1.2 Deposits from banks | (19,445) | X | X | (19,445) | (51) |
| 1.3 Deposits from customers | (19,078) | X | X | (19,078) | (1,094) |
| 1.4 Debt securities in issue | X | (6,478) | X | (6,478) | (1,567) |
| 2. Financial liabilities held for trading | - | - | - | - | - |
| 3. Financial liabilities designated at fair value | - | - | - | - | - |
| 4. Other liabilities and provisions | X | X | - | - | - |
| 5. Hedging derivatives | X | X | - | - | - |
| 6. Financial assets | X | X | X | (619) | (2,344) |
| **Total** | **(38,523)** | **(6,478)** | **-** | **(45,620)** | **(5,056)** |
| of which: interest expenses on lease liabilities | (650) | X | X | (650) | (482) |

# Part C - Consolidated Income Statement

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

### 2.1 Fee and commission income: breakdown

(Amounts in € thousand)

| Type of service/Values | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|
| a) Financial instruments | 68,697 | 72,074 |
| 1. Securities placement | 7,164 | 7,682 |
| 1.1 Under firm assumption and/or on the basis of an irrevocable commitment | - | - |
| 1.2 Without firm commitment | 7,164 | 7,682 |
| 2. Receipt and transmission of orders and execution for customers | 47,161 | 51,357 |
| 2.1 Receipt and transmission of orders for one or more financial instruments | 13,670 | 14,582 |
| 2.2 Execution of orders on behalf of customers | 33,491 | 36,775 |
| 3. Other fees connected with activities related to financial instruments | 14,372 | 13,035 |
| of which: trading on own account | 14,372 | 13,035 |
| of which: management of individual portfolios | - | - |
| b) Corporate Finance | - | - |
| 1. Merger and Acquisition Advice | - | - |
| 2. Treasury services | - | - |
| 3. Other fees associated with corporate finance services | - | - |
| c) Investment advisory activities | 36,466 | 37,016 |
| d) Clearing and settlement | - | - |
| e) Collective Portfolio Management | 167,727 | 149,728 |
| f) Custody and administration | 352 | 502 |
| 1. Custodian bank | - | - |
| 2. Other fees related to custody and administration | 352 | 502 |
| g) Central administrative services for collective portfolio management | - | - |
| h) Trust business | - | 15 |
| i) Payment services | 43,564 | 39,490 |
| 1. Current accounts | 11,477 | 12,344 |
| 2. Credit cards | 18,374 | 14,944 |
| 3. Debit and other payment cards | 8,263 | 7,310 |
| 4. Wire transfers and other payment orders | 5,450 | 4,892 |
| 5. Other fees related to payment services | - | - |
| j) Distribution of third party services | 145,785 | 153,296 |
| 1. Collective portfolio management | 85,670 | 93,824 |
| 2. Insurance products | 57,295 | 57,639 |
| 3. Other products | 2,820 | 1,833 |
| of which: individual portfolio management | 1,874 | 1,824 |
| k) Structured Finance | - | - |
| l) Servicing for securitization transactions | - | - |
| m) Commitments to disburse funds | - | - |
| n) Financial guarantees issued | 49 | 46 |
| of which: credit derivatives | - | - |
| o) Financing operations | 179 | 110 |
| of which: for factoring transactions | - | - |
| p) Currency trading | - | - |
| q) Goods | - | - |
| r) Other commission income | 586 | 726 |
| of which: for management activities of multilateral trading systems | - | - |
| of which: for management activities of organized trading systems | - | - |
| s) Securities lending transactions | 5,278 | 4,502 |
| **Total** | **468,683** | **457,505** |

# Part C - Consolidated Income Statement

It should be noted that item j) "Distribution of third party services 1. Collective portfolio management" also includes the maintenance commissions for UCIT units equal to € 80,975 thousand (€89,850 thousand in first half 2022).

## 2.2 Fee and commission expenses: breakdown

(Amounts in € thousand)

| Services/Amounts | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|
| a) Financial instruments | (5,418) | (5,385) |
| of which: trading of financial instruments | (5,418) | (5,385) |
| of which: placement of financial instruments | - | - |
| of which: management of individual portfolios | - | - |
| - Own | - | - |
| - Delegated to third parties | - | - |
| b) Clearing and settlement | (2,901) | (2,794) |
| c) Management of collective portfolios | (15,839) | (15,990) |
| 1. Own | - | - |
| 2. Delegated to third parties | (15,839) | (15,990) |
| d) Custody and administration | (2,263) | (2,319) |
| e) Payment and collection services | (12,401) | (11,464) |
| of which: credit cards, debit cards and other payment cards | (8,926) | (8,034) |
| f) Servicing activities for securitization transactions | - | - |
| g) Commitments to receive funds | - | - |
| h) Financial guarantees received | - | - |
| of which: credit derivatives | - | - |
| i) Off-site offering of financial instruments, products and services | (184,075) | (183,609) |
| j) Currency trading | - | - |
| k) Other commission expenses | (485) | (415) |
| l) Securities lending transactions | (558) | (514) |
| **Total** | **(223,940)** | **(222,490)** |

Item "i) Off-site offering of financial instruments, products and services", includes costs incurred in relation to Equity Settled and Cash Settled plans assigned to personal financial advisors, that are respectively recorded against the item 150. "Reserves" of the net equity for an amount of € 395 thousand (€ 560 thousand as of 30 June 2022).

# Part C - Consolidated Income Statement

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

### 3.1 Dividend income and similar revenues: breakdown

(Amounts in € thousand)

| Items/Income | Total 06/30/2023 | | Total 06/30/2022 | |
|---|---|---|---|---|
| | Dividends | Similar revenues | Dividends | Similar revenues |
| A. Financial assets held for trading | 127 | 1 | 138 | - |
| B. Other financial assets mandatorily at fair value | 23 | - | 19 | - |
| C. Financial assets at fair value through other comprehensive income | - | - | - | - |
| D. Equity investments | - | - | - | - |
| **Total** | **150** | **1** | **157** | **-** |

## 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, 2023**

(Amounts in € thousand)

| Transactions/Income items | Unrealised gain (A) | Realized gains (B) | Unrealized losses (C) | Realized losses (D) | Net profit (loss) [(A+B) - (C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | **242** | **21,094** | **(122)** | **(12,559)** | **8,655** |
| 1.1 Debt securities | - | 1,117 | - | (926) | 191 |
| 1.2 Equity instruments | 242 | 19,650 | (122) | (11,382) | 8,388 |
| 1.3 UCITS units | - | 327 | - | (251) | 76 |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Others | - | - | - | - | - |
| **2. Financial liabilities held for trading** | **3** | **456** | **(54)** | **(524)** | **(119)** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Payables | - | - | - | - | - |
| 2.3 Others | 3 | 456 | (54) | (524) | (119) |
| **3. Financial assets and liabilities: exchange differences** | **X** | **X** | **X** | **X** | **8,963** |
| **4. Derivatives** | **9,227** | **94,027** | **(10,131)** | **(78,829)** | **16,904** |
| 4.1 Financial derivatives: | 9,227 | 94,027 | (10,131) | (78,829) | 16,904 |
| - On debt securities and interest rates | 236 | 1,145 | (242) | (1,068) | 71 |
| - On equity securities and share indices | 8,863 | 79,701 | (9,805) | (67,581) | 11,178 |
| - On currency and gold | X | X | X | X | 2,610 |
| - Others | 128 | 13,181 | (84) | (10,180) | 3,045 |
| 4.2 Credit derivatives | - | - | - | - | - |
| of which: natural hedges related to the fair value option | X | X | X | X | - |
| **Total** | **9,472** | **115,577** | **(10,307)** | **(91,912)** | **34,403** |

# Part C - Consolidated Income Statement

## As at June 30, 2022

(Amounts in € thousand)

| Transactions/Income items | Unrealised gain (A) | Realized gains (B) | Unrealized losses (C) | Realized losses (D) | Net profit (loss) [(A+B) - (C+D)] |
|---|---|---|---|---|---|
| **1. Financial assets held for trading** | **12** | **116,631** | **(878)** | **(112,188)** | **3,577** |
| 1.1 Debt securities | - | 3,505 | - | (3,127) | 378 |
| 1.2 Equity instruments | 12 | 112,217 | (865) | (108,253) | 3,111 |
| 1.3 UCITS units | - | 909 | (13) | (808) | 88 |
| 1.4 Loans | - | - | - | - | - |
| 1.5 Others | - | - | - | - | - |
| **2. Financial liabilities held for trading** | **10** | **145** | **(1)** | **(98)** | **56** |
| 2.1 Debt securities | - | - | - | - | - |
| 2.2 Payables | - | - | - | - | - |
| 2.3 Others | 10 | 145 | (1) | (98) | 56 |
| **3. Financial assets and liabilities: exchange differences** | **X** | **X** | **X** | **X** | **10,639** |
| **4. Derivatives** | **12,614** | **137,682** | **(10,431)** | **(113,269)** | **29,236** |
| 4.1 Financial derivatives: | 12,614 | 137,682 | (10,431) | (113,269) | 29,236 |
| - On debt securities and interest rates | 225 | 748 | (206) | (707) | 60 |
| - On equity securities and share indices | 12,263 | 114,510 | (9,911) | (94,143) | 22,719 |
| - On currency and gold | X | X | X | X | 2,640 |
| - Others | 126 | 22,424 | (314) | (18,419) | 3,817 |
| 4.2 Credit derivatives | - | - | - | - | - |
| of which: natural hedges related to the fair value option | X | X | X | X | - |
| **Total** | **12,636** | **254,458** | **(11,310)** | **(225,555)** | **43,508** |

# Part C - Consolidated Income Statement

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

### 5.1 Fair value adjustments in hedge accounting: breakdown

(Amounts in € thousand)

| Income items/Amounts | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|
| **A. Gains on:** | | |
| A.1 Fair value hedging instruments | 11,677 | 1,099,627 |
| A.2 Hedged asset items (in fair value hedge relationship) | 140,332 | - |
| A.3 Hedged liability items (in fair value hedge relationship) | 12,007 | 22,070 |
| A.4 Cash-flow hedging derivatives | - | - |
| A.5 Assets and liabilities denominated in currency | - | - |
| **Total gains on hedging activities (A)** | **164,016** | **1,121,697** |
| **B. Losses on:** | | |
| B.1 Fair value hedging instruments | (157,484) | (22,171) |
| B.2 Financial assets items (in fair value hedge relationship) | (7,018) | (1,084,103) |
| B.3 Hedged liability items (in fair value hedge relationship) | (4,618) | (3,698) |
| B.4 Cash-flow hedging derivatives | - | - |
| B.5 Assets and liabilities denominated in currency | - | - |
| **Total losses on hedging activities (B)** | **(169,120)** | **(1,109,972)** |
| **C. Fair value adjustments in hedge accounting (A-B)** | **(5,104)** | **11,725** |
| of which: net profit (loss) on net position | - | - |

## Section 6 – Gains (Losses) on disposals/repurchases – Item 100

### 6.1 Gains (Losses) on disposals/repurchases: breakdown

(Amounts in € thousand)

| Items/Income items | Total 06/30/2023 | | | Total 06/30/2022 | | |
|---|---|---|---|---|---|---|
| | Gain | Losses | Net profit (loss) | Gain | Losses | Net profit (loss) |
| **Financial assets** | | | | | | |
| 1. Financial assets at amortized cost | 27,617 | (27,535) | 82 | 49,137 | - | 49,137 |
| 1.1 Loans and receivables to banks | - | - | - | - | - | - |
| 1.2 Loans and receivables to customers | 27,617 | (27,535) | 82 | 49,137 | - | 49,137 |
| 2. Financial assets at fair value through other comprehensive income | - | - | - | 309 | - | 309 |
| 2.1 Debt securities | - | - | - | 309 | - | 309 |
| 2.2 Loans | - | - | - | - | - | - |
| **Total assets (A)** | **27,617** | **(27,535)** | **82** | **49,446** | **-** | **49,446** |
| **Financial liabilities valued at amortized cost** | - | - | - | - | - | - |
| 1. Deposits from banks | - | - | - | - | - | - |
| 2. Deposits from customers | - | - | - | - | - | - |
| 3. Debt securities in issue | - | - | - | - | - | - |
| **Total liabilities (B)** | **-** | **-** | **-** | **-** | **-** | **-** |

It should be noted that the economic effects arising from sales of financial assets at amortised, recorded at item 100."Gains (losses) on disposals/repurchases of: a) financial assets at amortised cost", took place in accordance with IFRS 9 and in application of the rules defined for the HTC business model.

# Part C - Consolidated Income Statement

## 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, 2023

(Amounts in € thousand)

| Transactions/Income items | Unrealized gain (A) | Realized gain (B) | Unrealized losses (C) | Realized losses (D) | Net Profit (loss) (A+B)-(C+D) |
|---|---|---|---|---|---|
| **1. Financial assets** | **734** | **1** | **(9)** | **(5)** | **721** |
| 1.1 Debt securities | - | 1 | (2) | - | (1) |
| 1.2 Equity securities | 717 | - | - | (2) | 715 |
| 1.3 UCITS units | 17 | - | (7) | (3) | 7 |
| 1.4 Loans | - | - | - | - | - |
| **2. Financial assets: exchange differences** | **X** | **X** | **X** | **X** | **(92)** |
| **Total** | **734** | **1** | **(9)** | **(5)** | **629** |

#### As at June 30, 2022

(Amounts in € thousand)

| Transactions/Income items | Unrealized gain (A) | Realized gain (B) | Unrealized losses (C) | Realized losses (D) | Net Profit (loss) (A+B)-(C+D) |
|---|---|---|---|---|---|
| **1. Financial assets** | **1** | **-** | **(692)** | **(297)** | **(988)** |
| 1.1 Debt securities | - | - | (6) | - | (6) |
| 1.2 Equity securities | 1 | - | (672) | (152) | (823) |
| 1.3 UCITS units | - | - | (14) | (145) | (159) |
| 1.4 Loans | - | - | - | - | - |
| **2. Financial assets: exchange differences** | **X** | **X** | **X** | **X** | **441** |
| **Total** | **1** | **-** | **(692)** | **(297)** | **(547)** |

# Part C - Consolidated Income Statement

## Section 8 – Impairment losses/writebacks - Item 130

### 8.1 Net impairment for credit risk related to financial assets at amortized cost: breakdown

(Amounts in € thousand)

| Transactions/Income | Adjustments (1) | | | | | | Write-backs (2) | | | | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | |
| | | | Write-off | Others | Write-off | Others | | | | | | |
| **A. Loans and receivables to banks** | **(110)** | **-** | **-** | **-** | **-** | **-** | **143** | | **-** | **-** | **33** | **(53)** |
| - Loans | (84) | - | - | - | - | - | 84 | - | - | - | - | (8) |
| - Debt securities | (26) | - | - | - | - | - | 59 | - | - | - | 33 | (45) |
| **B. Loans and receivables to customers** | **(2,186)** | **(1,060)** | **(35)** | **(3,201)** | **-** | **-** | **2,347** | **507** | **989** | **-** | **(2,639)** | **(1,877)** |
| - Loans | (1,219) | (1,060) | (35) | (3,201) | - | - | 1,994 | 507 | 989 | - | (2,025) | (1,168) |
| - Debt securities | (967) | - | - | - | - | - | 353 | - | - | - | (614) | (709) |
| **Total** | **(2,296)** | **(1,060)** | **(35)** | **(3,201)** | **-** | **-** | **2,490** | **507** | **989** | **-** | **(2,606)** | **(1,930)** |

The table above conventionally shows the net impairment for credit risk in respect of on-demand deposits to banks and central banks recognised in the item “Cash and cash balances”, as ruled in Circular No. 262 "Banks' financial statements: layouts and preparation".

# Part C - Consolidated Income Statement

### 8.2 Net impairment losses related to: financial assets measured at fair value with an impact on overall profitability

(Amounts in € thousand)

| Transactions/Income | Adjustments (1) | | | | | | Write - backs (2) | | | | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | |
| | | | Write-off | Others | Write-off | Other | | | | | | |
| A. Debt Securities | - | - | - | - | - | - | - | - | - | - | - | (1) |
| B. Loans | - | - | - | - | - | - | - | - | - | - | - | - |
| - To clients | - | - | - | - | - | - | - | - | - | - | - | - |
| - To banks | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1)** |

## 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 06/30/2023 | | | Total 06/30/2022 | | |
|---|---|---|---|---|---|---|
| | Gain | Losses | Net profit (loss) | Gain | Losses | Net profit (loss) |
| | | | | | | |
| 1. Financial assets valued at amortized cost | - | - | - | - | (1) | (1) |
| 1.1 Receivables from banks | - | - | - | - | - | - |
| 1.2 Receivables from customers | - | - | - | - | (1) | (1) |
| 2. Financial assets valued at fair value through other comprehensive income | - | - | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** | **(1)** | **(1)** |

## Section 10 – Insurance services result – Item 160

No data to report.

## Section 11 – Insurance finance income and expenses – Item 170

No data to report.

# Part C - Consolidated Income Statement

## Section 12 – Administrative expenses – Item 190

### 12.1 Staff expenses: breakdown

(Amounts in € thousand)

| Type of expenses/Sectors | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|
| 1) Employees | (59,150) | (56,470) |
| a) wages and salaries | (39,712) | (38,555) |
| b) social security contributions | (9,676) | (9,148) |
| c) pension costs | (369) | (381) |
| d) severance pay | - | - |
| e) allocation to employee severance pay provision | (93) | (57) |
| f) provision for retirements and similar provisions: | - | - |
| - defined contribution | - | - |
| - defined benefit | - | - |
| g) payments to external pension funds: | (2,881) | (2,661) |
| - defined contribution | (2,881) | (2,661) |
| - defined benefit | - | - |
| h) costs related to share-based payments | (2,418) | (2,491) |
| i) other employee benefits | (4,004) | (3,180) |
| j) recovery of expenses for employees seconded | 3 | 3 |
| 2) Other staffs | - | - |
| 3) Directors and statutory auditors | (1,228) | (1,068) |
| 4) Early retirement costs | - | - |
| **Total** | **(60,378)** | **(57,538)** |

Item “1 h) Employees: costs related to share-based payments” includes costs incurred by the Group in relation to payment agreements based on financial instruments issued by the Bank, that are recorded against the item 150. “Reserves” of the net equity for an amount of € 2,418 thousand (€ 2,491 thousand as at June 30, 2022).

### 12.4 Other employee benefits

(Amounts in € thousand)

| Type of expense/Amounts | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|
| Leaving incentives | - | (1) |
| Medical plan | (817) | (806) |
| Luncheon vouchers | (743) | (352) |
| Training expenses | (217) | (149) |
| Other | (2,227) | (1,872) |
| **Total** | **(4,004)** | **(3,180)** |

The item "Other" mainly includes the cash component of benefits relating to employee incentive plans, amounting to € 1,786 thousand.

# Part C - Consolidated Income Statement

## 12.5 Other administrative expenses: breakdown

(Amounts in € thousand)

| Type of expense/Amounts | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|
| **1) INDIRECT TAXES AND DUTIES** | **(80,523)** | **(71,723)** |
| **2) MISCELLANEOUS COSTS AND EXPENSES** | | |
| **A) Advertising expenses - Marketing and communication** | **(15,044)** | **(13,720)** |
| Mass media communications | (11,750) | (11,893) |
| Marketing and promotions | (2,962) | (1,611) |
| Sponsorships | (227) | (212) |
| Conventions and internal communications | (105) | (4) |
| **B) Expenses related to credit risk** | **(924)** | **(819)** |
| Credit recovery expenses | (255) | (183) |
| Commercial information and company searches | (669) | (636) |
| **C) Expenses related to personnel and to personal financial advisors** | **(2,133)** | **(1,290)** |
| Other staff expenses | (786) | (333) |
| Personal financial advisor expenses | (1,347) | (957) |
| **D) ICT expenses** | **(28,125)** | **(25,904)** |
| Lease of ICT equipment and software | (1,126) | (1,162) |
| Software expenses: lease and maintenance | (7,484) | (6,593) |
| ICT communication systems, messaging and phone expenses | (3,043) | (3,111) |
| Consultancy and ICT services provided by third parties | (7,560) | (6,711) |
| Financial information providers | (8,912) | (8,327) |
| **E) Consultancies and professional services** | **(2,181)** | **(2,145)** |
| Consultancies and professional services | (1,729) | (1,782) |
| Legal expenses and disputes | (170) | (63) |
| Auditing company expenses | (282) | (300) |
| **F) Furniture, machinery and equipment expenses and Real estate expenses** | **(2,813)** | **(2,948)** |
| Repair and maintenance of furniture, machinery, and equipment | (145) | (127) |
| Maintenance and cleaning of premises | (720) | (692) |
| Premises rentals | (384) | (460) |
| Utilities and condominium expenses | (1,564) | (1,669) |
| **G) Other functioning costs** | **(14,798)** | **(14,836)** |
| Postage and transport of documents | (1,685) | (1,596) |
| Administrative, logistic and call center services | (7,636) | (7,964) |
| Insurance | (2,088) | (2,161) |
| Association dues and fees | (2,126) | (1,732) |
| Other administrative expenses | (1,263) | (1,383) |
| **H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)** | **(6,581)** | **(7,726)** |
| **Total** | **(153,122)** | **(141,111)** |

Item "H) Contributions to Resolution Funds and Deposit Guarantee Schemes (DGS)" shows the costs recorded in the first half 2023 for the ordinary, additional and supplementary contribution paid to the *Single Resolution Fund*, in the total amount of € 6,581 thousand (€ 7,601 thousand in the first half 2021). For further details, see Part A - Accounting policies of these notes to the accounts.

Contributions under Directive 2014/49/EU of 16 April 2014 on Deposit Guarantee Schemes (DGS) will be due and recognised, in application of IFRIC 21, in the third quarter of the financial year.

# 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 |
|---|---|---|---|---|---|---|
| | Stage 1 and Stage 2 | Stage 3 | Stage 1 and Stage 2 | Stage 3 | 06/30/2023 | 06/30/2022 |
| 1. Commitments | (43) | (5) | 25 | 2 | (21) | (47) |
| 2. Financial guarantees given | - | - | 2 | - | 2 | (1) |
| **Total** | **(43)** | **(5)** | **27** | **2** | **(19)** | **(48)** |

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

(Amounts in € thousand)

| Transactions/Income items | 06/30/2023 | | | 06/30/2022 | | |
|---|---|---|---|---|---|---|
| | Provisions | Reallocations | Total | Provisions | Reallocations | Total |
| 1. Other commitments | (35) | - | (35) | - | - | - |
| 2. Other guarantees given | - | - | - | - | - | - |
| **Total** | **(35)** | **-** | **(35)** | **-** | **-** | **-** |

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

(Amounts in € thousand)

| Items/Income items | Total 06/30/2023 | | | Total 06/30/2022 | | |
|---|---|---|---|---|---|---|
| | Provisions | Reallocations | Total | Provisions | Reallocations | Total |
| Legal and fiscal disputes | (3,295) | 1,944 | (1,351) | (2,920) | 1,875 | (1,045) |
| Supplementary customer indemnity provision | (4,014) | - | (4,014) | (3,637) | - | (3,637) |
| Other provisions for risks and charges | (254) | 194 | (60) | (252) | 162 | (90) |
| **Total** | **(7,563)** | **2,138** | **(5,425)** | **(6,809)** | **2,037** | **(4,772)** |

The item “Provisions” also include changes due to the passing of time and changes in the discount rate.

# Part C - Consolidated Income Statement

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

### 14.1 Impairment on property, plant and equipment: breakdown

(Amounts in € thousand)

| Assets/Income items | Depreciation (a) | Write-downs (b) | Write-backs (c) | Net profit (loss) 06/30/2023 (a + b - c) | Net profit (loss) 06/30/2022 (a + b - c) |
|---|---|---|---|---|---|
| A. Property, plant and equipment | (10,151) | (1) | - | (10,152) | (9,806) |
| 1 Owned | (10,151) | (1) | - | (10,152) | (9,752) |
| - Used in the business | (4,382) | (1) | - | (4,383) | (4,245) |
| - Held for investment | (5,769) | - | - | (5,769) | (5,507) |
| 2. Held under finance lease | - | - | - | - | (54) |
| - Used in the business | - | - | - | - | (54) |
| - Held for investment | - | - | - | - | - |
| 3 Inventories | X | - | - | - | - |
| **Total** | **(10,151)** | **(1)** | **-** | **(10,152)** | **(9,806)** |

Write-downs were recognised in the period for insignificant amounts and mainly in relation to office furniture and fittings for which a zero value in use was determined.

A description of the methods used to calculate depreciation is provided in Part A – Accounting Policies of the notes to the consolidated accounts as of December 31, 2022.

# 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) 06/30/2023 (a + b - c) | Net profit (loss) 06/30/2022 (a + b - c) |
|---|---|---|---|---|---|
| A. Intangible assets | (3,085) | - | - | (3,085) | (3,385) |
| of which: software | (3,064) | - | - | (3,064) | (3,335) |
| A.1 Owned | (3,085) | - | - | (3,085) | (3,385) |
| - Generated internally by the company | - | - | - | - | - |
| - Others | (3,085) | - | - | (3,085) | (3,385) |
| A.2 Right of use held under finance lease | - | - | - | - | - |
| **Total** | **(3,085)** | **-** | **-** | **(3,085)** | **(3,385)** |

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, 2022.

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<br>06/30/2023 | Total<br>06/30/2022 |
|---|---|---|
| Refunds and allowances | (86) | (134) |
| Penalties, fines and unfavourable rulings | (397) | (344) |
| Improvements and incremental expenses incurred on leasehold properties | (816) | (979) |
| Exceptional write-downs of assets | (117) | (19) |
| Other operating expenses | (295) | (634) |
| **Total** | **(1,711)** | **(2,110)** |

### 16.2 Other operating income: breakdown

(Amounts in € thousand)

| Type of expense/Amounts | Total<br>06/30/2023 | Total<br>06/30/2022 |
|---|---|---|
| Recovery of expenses: | 76,457 | 69,063 |
| - recovery of ancillary expenses - other | 176 | 679 |
| - recovery of taxes | 76,281 | 68,384 |
| Rental income from properties | 400 | 374 |
| Other income from current year | 711 | 1,173 |
| **Total** | **77,568** | **70,610** |

The Group has not carried out sub-leasing transactions. The Group has no financial leases. As far as operating leases are concerned, the Group, as lessor, has outstanding operations represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11, the proceeds of which are recognized in the item "Rental income from properties" and may include income for ISTAT revaluations.

# Part C - Consolidated Income Statement

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

### 17.1 Profit (Loss) of associates: breakdown

(Amounts in € thousand)

| Income/Value | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|
| **1) Joint ventures** | | |
| A. Income | - | - |
| 1. Revaluations | - | - |
| 2. Gains on disposal | - | - |
| 3. Writebacks | - | - |
| 4. Other gains | - | - |
| B. Expenses | - | - |
| 1. Write-down | - | - |
| 2. Impairment losses | - | - |
| 3. Losses on disposal | - | - |
| 4. Other expenses | - | - |
| **Net profit** | **-** | **-** |
| **2) Companies subject to significant influence** | | |
| A. Income | - | - |
| 1. Revaluations | - | - |
| 2. Gains on disposal | - | - |
| 3. Writebacks | - | - |
| 4. Other gains | - | - |
| B. Expenses | (6) | (148) |
| 1. Write-down | (6) | (148) |
| 2. Impairment losses | - | - |
| 3. Losses on disposal | - | - |
| 4. Other expenses | - | - |
| **Net profit** | **(6)** | **(148)** |
| **Total** | **(6)** | **(148)** |

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

No data to report.

## Section 19 – Impairment of goodwill – Item 270

No data to report.

# Part C - Consolidated Income Statement

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

### 20.1 Gains (losses) on disposal of investments

(Amounts in € thousand)

| Items income/Sectors | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|
| A. Properties | - | - |
| - Gains on disposal | - | - |
| - Losses on disposal | - | - |
| B. Other assets | - | 1 |
| - Gains on disposal | - | 3 |
| - Losses on disposal | - | (2) |
| **Net profit (loss)** | **-** | **1** |

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 06/30/2023 | Total 06/30/2022 |
|---|---|---|
| 1. Current tax (-) | (132,243) | (91,391) |
| 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 (+/-) | 41 | 606 |
| 5. Changes in deferred tax liabilities (+/-) | (429) | (377) |
| 6. Tax expense for the period (-) (-1+/-2+3+ 3 bis +/-4+/-5) | (132,631) | (91,162) |

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

No data to report.

## Section 23 – Minority interests – Item 340

No data to report.

# Part C - Consolidated Income Statement

## Section 25 - Earnings per share

### 25.1 Average number of diluted ordinary shares

Basic earnings per share are calculated by dividing the net profit by the average number of ordinary shares outstanding during the first half 2023.

| | 06/30/2023 | 06/30/2022 |
|---|---|---|
| Net profit for the period (€ thousands) | 308,880 | 222,363 |
| Average number of outstanding shares | 610,278,713 | 609,880,168 |
| Average number of outstanding shares (including potential ordinary shares with dilution effect) | 611,685,425 | 611,302,230 |
| Basic earnings per share | 0.51 | 0.36 |
| Diluted Earnings Per Share | 0.50 | 0.36 |

### 25.2 Other information

No data to report.

# Part E - Information on Risks and relating hedging policies

## Introduction

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

Risk oversight and control is performed by the Group's Chief Risk Officer Department (CRO), which, as the risk management function, is independent from risk taking units, and is responsible for credit risk, market risk, operational risk and reputational risk.

The Parent Company is responsible for first and second-level monitoring, especially for verifying that individual risk taking is consistent with the guidelines set by the Board of Directors, capital, and prudential supervisory rules.

### Organisational framework

The Group's internal control system of the Group provides for the involvement of the following control bodies and functions, each for their respective area of competence:

- the Board of Directors;
- the Chief Executive Officer and General Manager;
- the Board of Statutory Auditors;
- the Risk and Related Parties Committee;
- the Remuneration Committee;
- the Appointments Committee;
- the Corporate Governance and Environmental and Social Sustainability Committee;
- the Supervisory Body set up pursuant to Legislative Decree 231/01;
- the corporate control functions (CRO, Compliance, Internal Audit) as well as other company functions with specific internal control tasks.

Corporate bodies and control functions collaborate and coordinate with each other through both specific information flows formalized in internal regulations, and the establishment of managerial committees dedicated to control issues.

The Board of Directors of the Parent Company is tasked with setting strategies and guidelines for the organizational framework, overseeing and monitoring their timely execution within the assigned risk profiles. The Board of Directors is also responsible for establishing and approving risk acknowledgment and evaluation techniques as well as risk management strategic direction and policies. Eventually, the Board of Directors verifies that the internal control framework is consistent with the established risk appetite and approves risk management policies.

The Chief Executive Officer and General Manager has been assigned specific powers by the Board of Directors in all the Group's business areas. These powers shall be exercised in accordance with applicable regulations and within the internal limits established by the strategies, the guidelines, the thresholds, the risk taking procedures and the operational instructions disciplined by the applicable information notices. The Chief Executive Officer and General Manager puts in place the necessary measures to ensure the establishment and maintenance of an efficient and effective internal control system.

As far as risk management is concerned, the Board of Statutory Auditors is responsible for overseeing the completeness, adequacy, functionality and reliability of the Internal Control System and the Risk Appetite Framework. In addition, the Board of Statutory Auditors has been assigned the tasks and responsibilities of the internal control committee and accounting review, pursuant to art. 19 of Legislative Decree No. 39/2010 (as amended by Legislative Decree 135/2016).

The Risks and Related Parties Committee is made up of five non-executive and independent Directors, and has the task of supporting, with an adequate preliminary investigations, the assessments and decisions of the Board of Directors concerning risks and the Internal Control and Risk System, as well as those relating to the approval of periodic financial reports.

The Remuneration Committee is composed of three non-executive and independent Directors and has the task of supporting, with adequate preliminary activities, the assessments and decisions of the Board of Directors in the following main activities: in defining the general remuneration policy for the Chief Executive Officer, the General Manager, the other Executives with strategic responsibilities and the other identified Staff. The Remuneration Committee is also involved in examining stock or monetary incentive plans for employees and the personal financial advisors of the Group and in strategic development policies of human resources.

The Appointments Committee is composed by three non-executive and independent Directors and has the task of supporting the Board of Directors in the process of appointing and co-opting of Directors, the Chief Executive Officer, the General Manager and other members of the top management having strategic responsibilities.

The Corporate Governance and Environmental and Social Sustainability Committee is composed of three non-executive and independent Directors and has the task of supporting the Board of Directors in the following main activities: in defining FinecoBank Corporate Governance Framework, the corporate structure and the Group's corporate governance models and guidelines. Eventually, the committee is involved in every sustainability issue relevant to the FinecoBank business model and interaction dynamics with stakeholders.

# Part E - Information on Risks and relating hedging policies

For more information about the roles of the aforementioned Committees please refer to the corporate governance report.

The Compliance function is in charge of the management of the risk of non-compliance, i.e. the risk of incurring judicial or administrative sanctions, significant financial losses or reputation damages resulting in violations of mandatory rules or self-regulation.

The internal validation function, placed within the Chief Risk Officer Department, is in charge of validating the internal models developed by the competent Group's functions, and it is fully independent from them.

The CRO Department, as the risk management function, oversees the proper performance of the Group's risk framework by defining the appropriate methodologies for identifying and measuring the overall current and future risks. Such activity is carried out according to regulatory provisions, following the management decisions envisaged in the Group's Risk Appetite (RAF) and the principles and policies defined by the CRO, through a monitoring activity and ensuring compliance with the established limits.

The CRO, with the support of the Chief Financial Officer (CFO), each one for their area of responsibilities, is responsible for proposing the Group Risk Appetite Framework and setting risk management strategies and policies, in line with the Bank's strategies and objectives, coordinating and monitoring their implementation by competent units also pertaining to different company areas.

The CRO Department, in the context of second-level controls, is responsible for the management and control of credit, market, operational / reputational risks including ICT risk, interest rate risk, liquidity and sustainability risk in collaboration with the CFO, the CLO and the CIO for their respective areas of competence. As far as communication to Corporate Bodies is concerned (Chief Executive Officer and General Manager, Board of Directors, Risks Committee and Related Parties), the CRO provides a quarterly disclosure on the activity carried out, as well as on the results emerging from the controls performed. The disclosure also incorporate suggestions on the necessary action to address any identified weaknesses, in order to ensure informed management decisions and risk mitigation.

In particular, the Parent Company CRO Department:

- is involved in the definition of the RAF, risk governance policies and the various phases that make up the risk management process, as well as in setting operating limits for the assumption of various risk types. In this context, it has, inter alia, the task of proposing quantitative and qualitative parameters necessary for the definition of the RAF, which also refer to stress scenarios and, in the event of changes to the Group's internal and external operational environment, the adjustment of parameters thereof;
- verifies the adequacy of the RAF;
- continuously checks the adequacy of risk management processes and operating limits;
- develops and maintains risk control models;
- ensures the effective implementation of the IT risk assessment methodology, supporting and coordinating the individual functions involved during the ICT risk assessment process, each for their competence area;
- defines common operational risk assessment metrics consistent with the RAF, coordinating with the compliance function, the ICT function and the business continuity function;
- defines methods of assessment and control of risks arising from environmental, social and governance factors (ESG), as well as reputational risks, coordinating with the compliance function, the sustainability function and any other function which may be involved;
- assists corporate bodies in assessing strategic risk by monitoring significant variables;
- develops and applies indicators highlighting irregularities and shortfall in the risk measurement and control framework;
- evaluates the risks arising from new products and services. In particular, the identification of risks relating to new products and services is guaranteed by the permanent participation of the CRO in the products committee;
- carries out second-level controls aimed at verifying the correct performance of the credit process at both individual and portfolio level;
- continuously monitors the actual risk assumed by the Group and its consistency with risk objectives as well as compliance with the limits assigned to operating units in relation to the assumption of the various types of risk.

The function carries out monitoring and reporting activities to the corporate bodies (Chief Executive Officer and General Manager, Board of Directors and Board of Statutory Auditors) and to the Risk and Related Parties Committee. Disclosure is provided to the corporate bodies through the Quarterly Report on the Group's risk exposures.

Lastly, the participation by the Chief Risk Officer and the Head of the Compliance function in the Products Committee ensures the oversight of the operational risk associated with new business activities, as well as creating and spreading a risk culture in among the Group's functional areas.

# Part E - Information on Risks and relating hedging policies

**Risk Appetite**

The Group gives great importance to risk management and control, as conditions for guaranteeing a reliable and sustainable growth in a controlled risk environment. The risk management strategy aims at a complete and coherent vision of risks, considering both the macroeconomic scenario and the Group's risk profile, stimulating the spreading of the risk culture and strengthening a transparent and accurate representation of risks embedded in the Group's portfolios. Risk-taking strategies are summarized in the Group's Risk Appetite Framework (RAF) are subsequently approved by the Board of Directors. The RAF is defined to ensure that the risk-taking activities remain in line with shareholders' expectations, taking into account the Group's risk position and the global economic situation.

The main objectives of the risk appetite are:

- explicitly assess the risks, and their interconnections at local and Group level, that the Group is willing to assume (or avoid) in a long-term perspective;
- specifying the types of risk that the Group is willing to assume, as required by legislation, the so-called Risk Appetites, Risk Tolerances and Risk Capacities under both normal operating and stressed operating conditions;
- ensure a risk-return profile "ex-ante" consistent with sustainable long-term growth, as defined by the return forecasts of the strategic plan/budget;
- ensure that the business develops within the risk tolerance limits established by the Board of Directors, in accordance with the applicable national and international regulations;
- include social and environmental sustainability principles (ESG) in the Group's strategy, business choices and operational management
- support discussions on future strategic choices concerning the risk profile;
- guide the vision of internal and external stakeholders towards a risk profile consistent with the strategic plan;
- provide qualitative descriptions for risks that are difficult to quantify (e.g. strategic, reputational, compliance) to strategically guide the review of processes and the internal control system.

The Risk Appetite is defined consistently with the Group's business model; for this reason, the Risk Appetite is incorporated in the budget and multi year plan process.

The Risk Appetite includes a Statement and a set of KPIs. The Statement sets out the Group's strategic positioning and the associated risk profile, while KPIs are designed to quantitatively measure the Group's performance in the following categories:

- Pillar 1 KPI: regulatory requirements, to include the KPIs required by the Supervisory Authority (e.g., capital and liquidity requirements such as LCR and NSFR);
- Managerial KPI: to ensure alignment with the budget in terms of return on capital and credit quality;
- Specific Risk KPI: to ensure control of all major risks (such as Pillar 2 capital adequacy, market risk, interest rate risk and operating risk).

For each of the above mentioned categories, one or more KPIs are identified at a consolidated level. KPI are meant to quantitatively measure the Group's performances under several respects: absolute values, ratio between comparable measures and sensitivity analysis on defined parameters.

The Risk Appetite represent the amount of risk (overall and by type) that the Group is willing to take in pursuit of its strategic objectives. The Risk Tolerance set the maximum deviation from the Risk Appetite; Tolerance thresholds are set in order to ensure sufficient margins for the Group to operate, even under stress conditions, within the allowed maximum risk taking.

The Risk Capacity stand for the maximum level of risk that the Group is technically able to assume without violating regulatory requirements or other constraints imposed by shareholders or supervisory Authorities.

Thresholds setting is evaluated on a case-by-case basis, also through managerial decisions taken by the Board of Directors, in compliance regulatory and supervisory requirements.

Metrics are the subject to a regular monitoring and reporting, at least quarterly. Monitoring activities are carried out by the CRO Department and the CFO Department according to their competence area.

The definition of the Risk Appetite Framework is a structured process led by the Chief Risk Officer and the Chief Financial Officer, which develops in accordance with the ICAAP, ILAAP and Recovery Plan processes and represents the risk framework within which the Budget and the strategic plan are developed. Integration between the processes thereof ensure consistency between the risk-taking strategy and policy and the Planning and Budgeting process.

As far as the RAF annual update process is concerned, the main phases are reported below:

- identification of risks; this phase is shared and preparatory to the capital and liquidity adequacy assessment processes (ICAAP/ILAAP). The activity imply the identification by the Parent Company's Risk Management of all the risks - both quantitative and qualitative - to which the Group is or could be exposed, having regard to its operations and reference markets. The risk identification process also include the Legal Entity Fineco Asset Management, whose evaluations are included in the Group consolidated Risk Map;
- definition and approval of the Risk Appetite by the Group Board of Directors;
- quarterly monitoring and reporting of Risk Appetite indicators.

# Part E - Information on Risks and relating hedging policies

In line with the principle of gradual integration of the principles of environmental and social sustainability (ESG) set out in the Risk Appetite Statement, and in accordance with the most recent indications issued by the regulators on the subject, the Risk Appetite Dashboard integrates some risk / performance indicators. Such indicators are aimed at monitoring, respectively, the objective of the ESG investments in the Banking Book and the concentration of real estate guarantees in areas with high seismic / hydrogeological risk (to specifically protect against climate and environmental risk) as well as a set of metrics concerning conduct risk and transparency.

### ICAAP - Internal Capital Adequacy Assessment Process

The assessment of the Group's overall risk profile is carried out annually within the ICAAP process, which represents the capital adequacy self-assessment process, whose outcomes are subject to discussion and analysis by the Supervisory Authority.

The ICAAP process includes two complementary perspectives: the regulatory perspective, and the economic perspective. Such perspectives complement each other and they are embedded in business activities and relevant decisions.

With the regulatory perspective, the Group manage capital adequacy, fully ensuring at all times compliance with regulatory requirements and capital related regulatory measures, as well as other internal and external capital constraint. The goal is to guarantee, also in a forward-looking view, own funds are always sufficient to cover the Overall Capital Requirements and Pillar 2 Guidance. With the internal economic perspective, the Group manage capital economic adequacy, ensuring economic risks be sufficiently covered by internal capital resources. The economic perspective takes into account a wider risk perimeter then the regulatory perspective (as a way of example it is worth mentioning interest rate risk).

For Pillar 2 economic perspective, the reference metric is the Risk Taking Capacity, which stands for the ratio between the Available Financial Resources (AFR) and the overall Internal Capital; such metric is quarterly monitored and reported to the Corporate Bodies within the reporting on the Group’s Risk exposure.

### Risk culture

As indicated in the Risk Appetite Framework, the Group confirms its strategic approach towards the adoption of a robust business model characterized by a low risk appetite aimed at creating sustainable profit and returns on the cost of capital, guaranteeing continuity in generating revenues. The Group's ambition is to achieve such result with the support of an optimal Internal Control System and effective and efficient procedures aimed at managing every risk.

In order to embody these principles and values, and apply the risk culture in day-to-day activities, numerous initiatives have been adopted, and in particular:

- institution of Managerial Committees aimed at ensuring an adequate risk awareness at all levels of the organization, with the involvement of both business and control structures (so-called ”tone from the top”);
- adoption of incentive mechanisms that consider a risk weighting linked to the annual performance of a subset of RAF indicators (so called “CRO Dashboard”);
- maintenance of a steady relation with the Chief Risk Officers of Group Companies aimed at sharing information on risk profiles and on development plans, to improve their evolution and risk management;
- realization of regular induction activities with the Board of Directors deeper risk investigation with the Risks and Related Parties Committee;
- a specific training is provided to employees, aimed at developing and standardize risk knowledge and understanding (e.g. related to ICT and Cyber risks).

# Part E - Information on Risks and relating hedging policies

## Section 1 – Consolidated financial statements risks

This section provides information referring to FinecoBank and Fineco AM, companies included in the consolidated financial statements risks.

As far as Fineco AM is concerned, risk management and control are ensured by the Risk Management function of the company, entrusted to the Chief Risk Officer, hierarchically dependent on the CEO and functionally dependent on the CRO of FinecoBank S.p.A.. FinecoBank's internal control system is structured according to the regulatory indications provided by the current legislation. Control, monitoring and reporting methodologies already in place in FinecoBank have been extended to Fineco AM adjusting, where necessary, the methods of analysis and controls adapting them to the size, nature and complexity of the business.

Specifically, there are two main risk management activities carried out: the traditional activity of controlling the adherence of the risk/return profile of each fund (Fund Risk Management) and the activity of overseeing operational risks (Operational Risk Management); however provided for in Irish legislation.

### Quantitative information

#### A. Credit quality

As provided for in Circular No. 262 "The banks' Financial Statements: layouts and preparations", on-demand loans to banks and central banks, which are recognised in the balance sheet item "Cash and cash balances", are included in the definition of cash credit exposures but are conventionally excluded from the quantitative credit quality disclosure tables in this Section 1 "Consolidated financial statements risks".

### A.1 Impaired and unimpaired exposure: amounts, impairment, changes, distribution by business activity

#### A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying value)

(Amounts in € thousand)

| Portfolio/quality | Bad exposures | Unlikely to pay | Past due impaired exposures | Past due unimpaired exposures | Other unimpaired exposures | Total |
|---|---|---|---|---|---|---|
| 1. Financial assets at amortised cost | 1,455 | 1,550 | 2,305 | 40,450 | 29,131,996 | 29,177,756 |
| 2. Financial assets at fair value through other comprehensive income | - | - | - | - | 27,647 | 27,647 |
| 3. Financial assets designated at fair value | - | - | - | - | - | - |
| 4. Other financial assets mandatorily at fair value | - | - | - | - | 81 | 81 |
| 5. Financial instruments classified as held for sale | - | - | - | - | - | - |
| **Total 06/30/2023** | **1,455** | **1,550** | **2,305** | **40,450** | **29,159,724** | **29,205,484** |
| **Total 12/31/2022** | **1,405** | **1,421** | **701** | **31,252** | **31,464,665** | **31,499,444** |

There are no impaired purchased loans.

# Part E - Information on Risks and relating hedging policies

## A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net values)

(Amounts in € thousand)

| Portfolio/quality | Impaired | | | | Unimpaired | | | Total (net exposure) |
|---|---|---|---|---|---|---|---|---|
| | Gross exposure | Total impairment provision | Net exposure | Total partial write-off | Gross exposure | Total impairment provision | Net exposure | |
| 1. Financial assets at amortized cost | 25,874 | (20,564) | 5,310 | - | 29,191,713 | (19,267) | 29,172,446 | 29,177,756 |
| 2. Financial assets at fair value through other comprehensive income | - | - | - | - | 27,649 | (2) | 27,647 | 27,647 |
| 3. Financial assets designated at fair value | - | - | - | - | X | X | - | - |
| 4. Other financial assets mandatorily at fair value | - | - | - | - | X | X | 81 | 81 |
| 5. Financial instruments classified as held for sale | - | - | - | - | - | - | - | - |
| **Total 06/30/2023** | **25,874** | **(20,564)** | **5,310** | **-** | **29,219,362** | **(19,269)** | **29,200,174** | **29,205,484** |
| **Total 12/31/2022** | **25,229** | **(21,702)** | **3,527** | **-** | **31,515,537** | **(19,898)** | **31,495,917** | **31,499,444** |

(Amounts in € thousand)

| Portfolio/quality | Assets with of clearly poor credit quality | | Other assets |
|---|---|---|---|
| | Accumulated unrealised losses | Net exposure | Net exposure |
| 1. Financial assets held for trading | - | - | 7,193 |
| 2. Hedging derivatives | - | - | 1,272,917 |
| **Total 06/30/2023** | **-** | **-** | **1,280,110** |
| **Total 12/31/2022** | **-** | **1** | **1,698,005** |

# Part E - Information on Risks and relating hedging policies

***B. Disclosure on structured entities (other than securitization companies)***

## B.1 Consolidated structured entities

No data to report.

## B.2 Non-consolidated structured entities

### B.2.1 Consolidated structured entities for supervisory purposes

No data to report

### B.2.2 Other structured entities

### Qualitative information

The Group has exposures towards unconsolidated structured entities as a result of investments in units issued by investment funds (UCITS) that qualify as structured entities according to IFRS 12.

### Quantitative information

The table below shows the assets, liabilities and off-balance sheet exposure to structured entities represented by unconsolidated UCITS units.

(Amounts in € thousand)

| Balance sheet items/type of structured entity | Accounting portfolios of assets | Total assets (a) | Accounting portfolios of liabilities | Total liabilities (b) | Net carrying amount (c=a-b) | Maximum exposure to loss (d) | Difference between exposure to the risk of loss and the carrying amount (e=d-c) |
|---|---|---|---|---|---|---|---|
| 1. Vehicle company | - | - | - | - | - | - | - |
| 2. U.C.I.T.S. | MFV | 443 | | - | 443 | 443 | - |
| | AC | 29,962 | AC | 646 | 29,316 | 29,962 | 646 |
| | HFT | - | | - | - | - | - |
| **Total** | | **30,405** | **-** | **646** | **29,759** | **30,405** | **646** |

**Key**
MFV = Financial assets mandatorily at fair value AC = Financial assets at amortised cost HFT = Assets Held for trading

# Part E - Information on Risks and relating hedging policies

## Section 2 – Risk of the prudential consolidated perimeter
## 1.1 Credit risk

### Qualitative information

#### *1. General Matters*

The Group's objective is to provide an adequate range of products able to satisfy and secure customer loyalty, through a competitive and complete offer. The products offered and under development are consistent with the objective of preserving the portfolio quality and with profitability monitoring processes as well.

Factors generating credit risk are acknowledged according to a specific acceptance and creditworthiness polices, which are always adequately correlated to the risk/return ratio and in line with the Risk Appetite defined by the Board of Directors.

The quality of the loan portfolio, which is constantly monitored and supported by risk mitigation instruments, is overseen by scoring models that contribute to the evaluation during the approval process, ensuring the latter be neat and duly checked. In addition to the risk level assessment, monitoring of the portfolio and its segmentation by product and seniority allow a better understanding of the best loan originating strategies. The identification of any high-risk areas allow intervention on the automated measurement systems as well as on origination policies, with the chance to take measures to limit credit risk in advance.

The credit product offer has evolved over the years, especially through the offer of mortgages loans and the granting of current account credit facilities guaranteed by a pledge on securities and investment funds with the rotational clause (Credit Lombard). Credit Lombard is the solution of FinecoBank to clients holding considerable investments who wish to obtain additional liquidity.

The mortgage offering mainly involves mortgage loans originated for the purchase of first and second homes (including subrogation), as well as those demanded for liquidity purposes. Non-residential mortgages are originated only to a limited extent.

The Group, moreover, has continued to improve already existing by issuing regular credit cards to current account holders and granting personal loans. The latter can also be assessed using the "Instant approval" mode, a service allowing credit applications to be assessed in a few moments and to provide the loan in real time to eligible customers.

Choices concerning the investment of the Bank's liquidity are governed by a prudential approach aimed at containing credit risk. Such approach mainly involve the subscription of Eurozone government bonds to diversify the exposure in bond instruments issued by UniCredit S.p.A. which will be hold until their maturity. For more details on government bonds, see the Information on securities issued by sovereign States.

#### *Impacts arising from Russian-Ukraine conflict*

As at June 30, 2023 there are no sign of deterioration in the Group's loans receivable with ordinary customers portfolio arising from Russian-Ukraine conflict. This one indeed is composed by retail loans granted with conservative and careful origination policies, and mostly assisted by real estate or financial collateral. In the case of mortgage loans, the average Loan to Value is indeed equal to around 50% whereas relevant overdraft facilities requires the funding of financial collateral, using conservative margins.

#### *2. Credit Risk Management Policy*
#### *2.1 Organisational aspects*

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

At the first level, the credit process relating to trade receivables and the process of granting and allocating credit limits (plafond) for institutional counterparties is a responsibility of the Chief Lending Officer (CLO). In this context, the CLO Department carries out both the creditworthiness assessment of clients and counterparties with which the Group carries out credit business and the performance monitoring of individual credit exposures, in order to promptly detect any irregularities and carry out the necessary prudential classifications.

In addition the performance monitoring, the CLO Department also calculates customer default rates by type of product, aimed at intercepting increases in the riskiness of the products offered by the Group to its customers, and at estimating the risk parameters (PD and LGD) used to calculate expected credit losses under IFRS 9.

At the second line of defence, the direction and control of credit and counterparty risk are a responsibility of the Chief Risk Officer. Within the CRO Department, the Credit Risk & Internal Capital Team is responsible for:

- monitoring trade receivables through second-level controls focusing more generally on the overall quality of the Bank's loan portfolio, promptly detecting any irregularities;
- supporting the CLO Department in the development and maintenance of the scoring models used by the Bank for the creditworthiness assessment of its retail customers;
- verifying, through second-level controls, the correct execution of the performance monitoring on individual exposures, assessing the consistency of prudential classifications and the adequacy of provisions;
- monitoring, through second-level controls, the degree of concentration towards individual issuers of securities funded as collateral, and real estate guarantees in areas with high climatic and environmental risk;
- analyzing the risk level of individual products, periodically verifying the consistency of the retail customers default rates calculated by the CLO Department;
- defining a reporting model for the Group by specifying the rules for identifying stocks and flows;
- defining the credit parameters (PD and LGD) useful for defining product pricing, as part of the launch of a new credit product;
- develop and maintain expected credit losses methodologies in accordance with the IFRS9 accounting standard, and carry out data quality checks on provisions;
- developing and maintain Credit Risk Internal Capital models and apply the related stress scenarios;
- monitoring credit risk and country risk deriving from the Group's strategic investments, taking into adequate consideration the counterparties’ exposure to environmental, social and governance (ESG) risks, and their ability to deal with them;
- verifying compliance with operating limits relating to margin trading and developing scenario analyses (stress tests) for assessing the sustainability of operations from an economic and capital point of view;
- supporting the CFO Department in budgeting and forecasting activities related to credit provisioning.

### 2.1.1 Credit Risk generating factors

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

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

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

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

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

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

In addition, "Non-Traditional Credit Risk" is generated by leverage/short transactions conducted through securities lending. Such transactions, despite automatic stop losses being set within the margins, may generate credit risk if the security lacks liquidity (for example, in the case of market turmoil) and/or the margin is insufficient. In order to prevent such events, scenario analyses are conducted periodically to assess the impacts and implement appropriate mitigation policies.

The Group therefore controls and manages the specific risk of each counterparty as well as the overall risk arising from the loan portfolio through processes, structures and rules aimed at directing, controlling and standardizing the assessment and management of this risk, in line with the Group’s best practice and principles.

# Part E - Information on Risks and relating hedging policies

### *2.2 Management, measurement and control system*

Credit risk associated with potential losses arising from customer/issuer default or from a decrease in the market value of a financial security due to the deterioration of its credit rating, is measured at the level of each counterparty/transaction and for the entire portfolio.

As already mentioned, credit risk measurement for trade receivables at origination is carried out by the CLO Department, and it is supported by automated assessment systems (so-called credit scoring systems). These systems also incorporate all available information and facts: public data and private data from Credit Bureaus, flows from the Central Credit register or requests for initial information to the Bank of Italy and other information on customer performance recorded by the Group. During the loan application process, attention shall be focused on taking advantage of every customer related information provided by the Bank and the System.

The collection of any guarantees, their assessment and the margins between the fair value of the guarantee and the granted amount shall be regarded as a supporting tool aimed at mitigating credit risk. There is no relevant positive correlation indeed between the value of the financial collateral and the applicant's creditworthiness. The eligibility, evaluation, monitoring and management rules for any acceptable guarantees within the Fineco Group are disciplined in a specific Collateral Management Policy.

The CRO Department, as the risk management function, carries out second-level controls on all the phases that characterize the credit process relating to trade receivables. The controls, which are mainly based on the development of event-based indicators, focuses on verifying compliance with internal regulations and the delegated powers conferred by the Board of Directors to decision-making structures and on the identification of irregularities at portfolio or at more granular level, also in relation to funded collateral. In addition to the controls described above, a quality and performance assessment of the loan portfolio is also periodically carried out.

The creditworthiness assessment of the counterparties with which the Group carries out credit business is carried out by the CLO Department as part of the credit limits granting and allocation process (plafond) to the Counterparty’s Economic Group, i.e. considering the Group's exposure to all the subjects legally or economically connected to the counterparty. The Plafonds are "risk ceilings" and stand for the highest limits in terms of credit risk that the Group is willing to accept vis-à-vis a specific counterparty.

The Board of Directors annually approves the Risk Appetite and the "Investment Plan"; the first one defines the propensity and limits for the Group's strategic investments, the second one provides an indication of the composition of the Group's strategic investments. According to the guidelines of the Board of Directors, the Group defines specific risk limits (plafond) towards each FIBS counterparty ("Financial Institutions, Banks and Sovereigns") with which the Group will have a credit exposure, always in compliance with the large exposure regulatory limits, where applicable. The activity is regulated by the Global Policy "Credit business with financial institutions, banks, sovereign and corporate counterparties", which defines the principles and rules for an efficient and complete assessment, control and limitation of credit and counterparty risk linked to the credit business carried out with the aforementioned counterparties. Issuers of bonds kept in the banking book as investments are also in scope. As established in the Global Policy, the CLO Department, in addition to the counterparty’s creditworthiness assessment and the risk limits approval required by the various Group functions in accordance with the delegated powers in force from time to time, carries out an operational monitoring. The latter is aimed at ensuring that all Group functions comply at all times with the assigned limits, Large Exposures and Related Parties limits, and that the Group's counterparties maintain a sufficiently high credit rating.

The CRO Department, on the other hand, carries out systematic monitoring at a centralized and single counterparty level with significant exposure, focusing on the analysis of a series of Early Warning indicators. The Department also carries out second-level controls on the compliance with the Large Exposures limit and on exposures to Related Parties.

Basically, the second level monitoring process carried out by the CRO Department aims to analyze credit quality and risk exposure dynamics by calculating summary risk indicators and representing their evolution over time. Outcomes may be used for preparing action plans aimed at mitigating or avoiding credit risk factors. In particular, the CRO Department prepares the quarterly report on the Group’s risk exposures, addressed to the Board of Directors; in this context are highlighted the trend of the loan portfolio and the outcomes of the second level controls carried out in the reference period. With particular reference to the retail portfolio, the report shows the analysis of flows between classifications, the stock of impaired loans and the positions that benefit from payment holidays and the related expected losses. The report also highlights the results of the second level controls carried out in the reference period on the concentration of financial collateral acquired by the Group as credit protection for overdraft facilities. With reference to exposures to financial counterparties, banks and sovereign, the report highlights the results of issuer risk, counterparty risk and country risk monitoring.

Within country risk oversight are monitored several indicators (Worldwide Governance Indicator), developed by a team of researchers in collaboration with the World Bank with the aim of summarizing the effectiveness of the policies implemented by the governmental authorities of different nations, and a specific environmental risk indicator, called ND-Gain, developed by a team of researchers from the US University of Notre Dame. Such indicator considers two fundamental variables: the level of vulnerability of a country to climate change ("vulnerability") and the positioning of the respective nation in terms of economic, social and governance capacity to cope with it ("readiness"). In the end, the two indicators are compared in order to determine that country's exposure to climate and environmental risks.

Starting from January 1st 2018, following the adoption of IFRS 9 accounting standard, a new accounting impairment model for credit exposures has been adopted. Such model is based on (i) an “expected losses” approach instead of the “incurred losses” approach provided by the previous one and (ii) on the concept of the expected lifetime loss. For more details, see section 2.3. Expected losses measurement methods.

### *Impacts arising from Russian-Ukraine conflict*

As of June 30, 2023, there were no significant impacts of the crisis resulting from the Russia-Ukraine conflict in terms of increase of NPE exposures or the overall credit risk of the counterparties with which the Group carries out its credit business. Any increase in terms of credit provisioning on certain credit exposures are not directly attributable to the military conflict, but to the substantial deterioration of the macroeconomic situation.

### *2.3 Expected losses measurement methods*

In accordance with IFRS 9 accounting principle, financial assets at amortized cost, financial assets at fair value through other comprehensive income and relevant off-balance sheet exposures are subject to impairment.

These instruments shall be classified in stage 1, stage 2 or stage 3 depending on their absolute or relative credit rating, compared to the initial recognition. In particular:

- Stage 1: this includes newly originated or acquired credit exposures and exposures that have not suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 2: this includes performing credit exposures having nevertheless suffered a significant deterioration in credit risk compared to the date of first recognition;
- Stage 3: this includes impaired credit exposures.

For Stage 1 exposures, the impairment is equal to the expected loss calculated on a time frame of up to one year.

For Stage 2 and 3 exposures, the impairment is equal to the expected loss calculated on a timeframe equivalent to the residual duration of the related exposure.

In order to meet the required standard, the Group has developed specific expected loss models. Such models draw on the PD and LGD estimated in conservatively manner, to which specific adjustments have been made in order to ensure full cohesion with the accounting standard. In this regard, forward-looking information has also been included with the elaboration of specific scenarios.

The expected loss is calculated for institutional counterparties, leveraging on risk parameters provided by the external supplier Moody's Analytics.

In order to calculate expected losses for retail counterparties, not having internal rating systems available, PD and LGD parameters are estimated with a different methodology according to the credit product concerned.

For unsecured loans, the Probability of Default is estimated through a model internally developed by the CRO Department based on the performance of the unsecured loans portfolio of the last 7 years (in consistency with the maximum maturity of the product). The model calculates a PD curve to which each exposure is interpolated according to their maturity. The LGD is calculated considering the average bad loans recovery, determined on an analytical basis by the credit collection team and according to the information available to the Bank.

For mortgage loans, without a sufficient default and recovery history data available to the Bank (Fineco originates mortgage loans from 2016), the Group employs a PD curve estimated in a conservative basis compared to the default data recorded. LGD is estimated through a model which considers the average coverage of NPE exposures, determined analytically by the credit collection team according to the information available to the Bank, the legal recovery costs, the residual debt and its ratio against the value of real estate collateral (Exposure to Value – ETV). In estimating the LGD, the model also takes into account climate and environmental risks (physical risk), using as a driver the energy label of the underlying real estate properties and their possible geographical location in areas with high environmental risk (seismic and hydrogeological).

For the other exposures, the PD is replaced by the average decay rate to non-performing recorded through a transition matrix. The LGD is calculated considering the average bad loans recovery, determined on an analytical basis by the credit collection team and according to the information available to the Bank. In order comply with IFRS 9 requirements, parameters resulting from proxy and models shall be corrected using forward looking information.

Finally, in order to implement the provisions of IFRS 9, parameter proxies are adjusted by means of prospective analyses called Forward Looking Information.

A key aspect of the IFRS 9 principle is the Stage Allocation model, whose purpose is to transfer exposures between Stage 1 and Stage 2 (as Stage 3 is equivalent to that of impaired exposures), where Stage 1 mainly includes newly originated exposures and those which have not suffered a significant increase in credit risk compared to the initial recognition.

The Stage Allocation assessment model always apply at transaction level, and it is based on a combination of relative and absolute elements: The main elements are:

- the comparison between the counterparty's rating at the reference date and that recorded at the date of origination / first recognition. The methodology provides that the position goes to stage 2 when a certain threshold is exceeded, set in terms of notches from the rating detected at the date of first recognition;
- absolute elements such as the backstops provided for by the regulation (e.g. 30 day Expired);
- other internal findings (forborne classification).

# Part E - Information on Risks and relating hedging policies

With reference to the institutional counterparties issuers of securities purchased by the Group as investments, or with which the Group carries out credit business, the approach employed is based on the external rating assigned by the Moody's agency. As anticipated, the methodology provides for the comparison between the counterparty's rating at the reference date and that recorded at the date of origination / first recognition. The position goes to stage 2 when a certain threshold is exceeded, set in terms of notches from the rating recognised at the date of the report was first opened.

With reference to retail counterparties, in the absence of internal ratings, the Group makes use of the backstops envisaged by the regulations and further internal evidence. In this context, all exposures having more than 30 days past due (without any materiality threshold), or for which further information that suggesting a deterioration in the creditworthiness of the counterparty are available, are classified in stage 2. For retail exposures classified as stage 2, unlike exposures classified as stage 3, there is no cure period for returning to the previous risk class. Consequently, when the conditions for classification at stage 2 cease to exist (for example the 30 days overdue), provided that there is no further evidence suggesting a deterioration in the creditworthiness of the counterparty, exposures are automatically reclassified into stage 1.

The criteria for determining write-downs for loans and receivables are based on the discounting of expected cash flows of principal and interest, which, according to the portfolio management model, may also refer to market operations. In order to determine the present value of cash flows, the basic requirement is the identification of estimated proceeds, the timing of payments and the discounting rate used.

The loss amount on impaired exposures classified as bad loans, unlikely to pay and past due according to the categories specified below, is calculated as the difference between the value at first recognition and the present value of estimated cash flows discounted at the original interest rate of the financial asset.

For all fixed-rate positions, the interest rate determined in this manner is also held constant in future accounting years, while for floating rate positions the interest rate is updated according to contractual terms.

If the original interest rate is not directly available, or where its detection is judged as excessively expensive, the interest rate best approximating the original one is applied, including through practical expedients not affecting the substance and ensure consistency with international accounting standards.

Recovery timings are estimated according to business plans or forecasts based on the experience of historical recovery timings observed for similar classes of loans, taking into account the customer segment, type of loan, type of guarantee and any other factors deemed relevant or, if the conditions exist, of expected market transactions.

# Part E - Information on Risks and relating hedging policies

## Parameters and risk level definitions used in the calculation of provisions

As mentioned above, ECL models leverage on PD, LGD and EAD parameters, as well as the effective interest rate. Models are used for the calculation of provisions for all institutional counterparties, most of which are Financial Institutions, Banks and Sovereigns (FIBS counterparties).

Specifically:

- PD (Probability of Default) expresses the percentage probability that the credit exposure will incur in a default event, within a defined timeline (e.g. 1 year);
- LGD (Loss Given Default) expresses the percentage of estimated loss (1-recovery rate) shall the default event actually occur;
- EAD (Exposure at Default) expresses the measurement of the exposure at the time of the credit position default event;
- Effective Interest Rate is the discount rate expressing the time value of the money.

Such parameters are calculated starting from long period ones, also used for the internal capital calculation, adjusted in order to ensure compliance with the IFRS 9 accounting principle.

The main adjustments are made in order to:

- introduce point-in-time adjustments required by the accounting principle;
- include forward-looking information;
- extend the credit risk parameters to a multi-year perspective.

In order to get lifetime PD, the through-the-cycle PD curves, obtained from cumulative default rates, were adapted to reflect point-in-time and forward-looking provisions of portfolio default rates.

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

With reference to Stage 3, it should be noted that it includes impaired exposures to debtors that fall, in accordance with Bank of Italy rules, defined in Circular no. 272 of 30 July 2008 and subsequent updates, into the "Non-performing" category pursuant to Regulation 630/2019 amending Regulation (EU) no. 575/2013 and Commission Implementing Regulation (EU) no. 451/2021, as amended and supplemented (Implementing Technical Standards). Financial instruments included in the portfolio "Financial assets held for trading" and derivative contracts are excluded.

For the purposes of identifying and classifying impaired credit exposures, account must also be taken of the provisions of the EBA Guidelines on the application of the definition of default pursuant to Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council (EBA/GL/2016/07) and EU Regulation 2018/171. Impaired credit exposures must, during the 3-month "cure period" provided for in paragraph 71(a) of EBA/GL/2016/07, continue to be recognised in the relevant categories in which they were located.

In particular, reference is made to the EBA definition of Non-Performing exposures and to the definition of impaired assets established by the Bank of Italy, as reported in the section Part A - Accounting Policies – Impairment of the notes to the consolidated accounts as at December 31, 2022.

### 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 the military conflict between Russia and Ukraine

Al already explained in the previous paragraph, the IFRS 9 principle require that, as far as Expected Credit Losses estimation is concerned, not only current and historical information be used, but also forward looking information shall be taken into account.

In order to adjust the IFRS-9 risk parameters with the forward-looking information updated to the crisis caused by the military conflict between Russia and Ukraine, the FinecoBank Group uses a series of macroeconomic scenarios developed by the external supplier Moody's Analytics. For further details, please refer to the appropriate paragraph "Measurement of expected credit losses".

### Measurement of Expected Credit Losses

As of June 30, 2023, for the calculation of Expected Credit losses on performing exposures, the Group has used risk parameters (PD and LGD) adjusted with macroeconomic scenarios provided by the new external supplier Moody’s Analytics. Such scenarios incorporates forward looking

# Part E - Information on Risks and relating hedging policies

information which consider the different possible evolutions of the health emergency resulting from the spread of the geopolitical and economic crisis triggered by the military conflict between Russia and Ukraine.

As anticipated in the Expected Credit Losses calculation methodology section, the forward looking component is made of three macroeconomic scenarios; a baseline scenario, a positive scenario and an adverse scenario. The baseline scenario is weighted 40% as it is the one more likely to come true, whereas the positive and adverse scenario are weighted 30% each, and they stand for alternative outcomes, respectively better and worse.

The baseline scenario used for the calculation of the ECL as of 30 June 2023 assumes a substantial economic stagnation due to the effects of the energy crisis, assuming that the military conflict in Ukraine persists without spreading to other countries and the energy market fits to the EU economic sanctions with limited impacts on prices. Furthermore, a substantial continuation of the restrictive monetary policy in the euro area and a progressive reduction in inflation are assumed throughout 2023. Finally, further waves of infections from COVID 19 are taken into account, but with ever less impacts on the economy. Considering the performance of the last few quarters, which has seen a substantial stagnation of the economy mainly due to the contraction in consumption and investments, it is estimated that the stalemate will continue for most of 2023. This translates into a reduced growth forecast of the European Gross Domestic Product (GDP) at 0.66%.

In Italy, the country where the Group holds almost all retail exposures, the growth forecasts of the Gross Domestic Product for 2022 are estimated at 0.75%, to then increase as an effect of the fiscal stimulus measures up to 2.12% at the end of 2026. The debt/GDP ratio is positively influenced by GDP growth, and negatively by the increase in interest rates, and is estimated slightly down to 141% at the end of 2023, to then gradually return to pre-crisis values. The unemployment rate is estimated to increase slightly to reach 8.40% in 2024, to then stabilize at the current values in the following years.

Other macroeconomic parameters, such as the 10 years government yields, are also considered in macroeconomic scenarios, depending on the credit facility and the type of counterparty involved.

The favorable scenario used for the calculation of the ECL at 30 June 2023 assumes a more rapid recovery in consumption thanks to an easing of the geopolitical tensions caused by the military conflict in Ukraine and to a more immediate effect of the national recovery and resilience plan. In Italy, the recovery of economic activity, faster than expected, translates into a forecast of growth of the Gross Domestic Product of 1.73% in 2023. The Debt / GDP ratio forecast for the end of 2023 is expected to be equal to 140%. Finally, the unemployment rate is estimated to reduce to 8.20% in 2024, to remain stable during the following years.

The adverse scenario used for the calculation of the ECLs as at 30 June 2023 assumes an escalation of the military conflict beyond the borders of Ukraine with an increase in geopolitical tensions and the rapid deterioration of market confidence in the European economy. The forecasts in this scenario translate into a recession that sees a contraction in GDP of 1.70% in 2023, a further worsening in 2024 (-3.01%) and a gradual recovery in the following years. The recession is aggravated by the ECB's delay in interruption the restrictive monetary policy and by the political inability to provide an adequate fiscal response to the crisis, therefore the debt-to-GDP ratio is estimated to grow at 147%. Finally, the Italian unemployment rate is estimated to increase sharply to reach a peak of 11.24% in 2024 and then decrease slightly in the following years.

As of June 30, 2023, assuming to apply only the positive scenario on the overall Bank’s exposures we would have credit risk adjustments for around € 0.8 million, whereas assuming to apply only the adverse scenario, credit risk adjustments would be equal to € 7.4 million. Considering all the scenarios mentioned above the Group’s estimated provisions are equal to € 2.66 million. It should be noted that, in estimating the amounts reported above, the write-backs arising from the sale of securities were not considered. As of June 30, 2023, such write-backs amount to around € 1 million.

Below the details of the main macroeconomic assumptions employed in FLI scenarios:

| Scenarios | Variables | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|
| Baseline (40%) | Eurozone-GDP (Δ%) | 0.66% | 1.78% | 2.08% | 1.81% | 1.37% |
| | ITA-GDP (Δ%) | 0.75% | 1.18% | 1.60% | 2.12% | 1.89% |
| | ITA-Debt/GDP ratio | 141% | 138% | 137% | 135% | 131% |
| | ITA-Unemployment rate | 8.34% | 8.40% | 8.32% | 8.29% | 8.28% |
| | ITA-Inflation | 7.12% | 3.05% | 1.69% | 1.73% | 1.90% |
| Favorable (30%) | Eurozone-GDP (Δ%) | 1.76% | 2.90% | 1.84% | 1.74% | 1.35% |
| | ITA-GDP (Δ%) | 1.73% | 2.12% | 1.35% | 2.06% | 1.89% |
| | ITA-Debt/GDP ratio | 140% | 135% | 134% | 131% | 127% |
| | ITA-Unemployment rate | 8.20% | 8.08% | 8.00% | 8.03% | 8.09% |
| | ITA-Inflation | 7.12% | 3.00% | 1.67% | 1.73% | 1.90% |
| Unfavorable (30%) | Eurozone-GDP (Δ%) | -1.71% | -2.33% | 3.48% | 2.68% | 1.43% |
| | ITA-GDP (Δ%) | -1.70% | -3.01% | 2.99% | 2.94% | 1.94% |
| | ITA-Debt/GDP ratio | 147% | 155% | 154% | 150% | 145% |
| | ITA-Unemployment rate | 9.12% | 11.24% | 10.78% | 10.01% | 9.55% |
| | ITA-Inflation | 5.41% | 0.33% | 1.02% | 1.42% | 1.83% |

### *2.4 Credit risk mitigation techniques*

In order to mitigate the risk in the different forms of credit granting, the Group acquires several types of collateral. For mortgage loans, the Group mainly acquires residential properties as collateral through mortgages, while various types of securities are accepted as pledges on overdraft facilities, including shares, bonds, investment funds, insurance and government securities.

Even when there is a collateral, the Group carries out an overall credit risk assessment, mainly focusing on the customer's earning capacity regardless of the ancillary guarantee provided. The valuation of the pledged guarantees is based on the real value, understood as the market value for securities listed on a regulated market. Percentage haircuts (margins) are applied to the value thus determined, differentiated according to the securities used as collateral and the concentration of the instrument in the customer's portfolio provided as collateral.

For real estate guarantees, the principles and rules are described in the “Normativa erogazione crediti commerciali” policy. In particular, the Group grants its customers loans for a maximum amount equal to 80% of the value of the mortgaged assets. The ratio between the amount of the loan granted and the value of the real estate property, certified as described above, is called Loan To Value (LTV), and is calculated on the entire property covered by the guarantee. Depending on the purpose of the loan (purchase, subrogation, refinancing and liquidity), more stringent LTV limits may be required. At June 30, 2023, the average LTV of the mortgage portfolio was approximately 50%.

The real estate evaluation is carried out by external technicians included in the Register of Engineers, Architects, Surveyors or industrial experts and is therefore not subject to conflicts of interest. The value of the real estate properties is monitored on an annual basis through market revaluation indices, estimated by an external supplier specialized in real estate market valuations. This activity is aimed at identifying any properties that need revaluation and may also be carried out more frequently if market conditions are subject to significant changes.

For financial collateral, on the other hand, the principles and rules are described in the "Collateral Management" policy. The evaluation of securities takes place by taking into consideration several parameters, including the issue rating, the liquidity class, the capitalization and the inclusion in a recognized index. Such parameters, depending on the type of instrument being valued, may affect not only the eligibility of the instrument itself, but also the margin considered in order to determine the amount of the loan.

The monitoring of the financial collateral value is carried out on a daily basis by automatic procedures that perform the Mark to Market of each individual security booked in the collateral deposits, and compare the resulting value with the amount entrusted during the origination phase. In the event of losses exceeding the threshold value, the resolution methods are assessed on a case-by-case basis in agreement with the customer.

# 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 EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 of the European Parliament and of the Council (EBA/GL/2016/07) and EU Regulation 2018/171. The classification as bad exposure, linked to the customer's insolvency, shall always be individually assessed and defined according to the outcome recovery actions. Loss provisioning estimate shall also be individual for positions classified as past due and unlikely to pay.

As far as overdraft are concerned, the classification criterion is related to the outcome of recovery actions or the forced sale of securities to cover debts.

Reclassification of exposures to a better risk category shall only be authorised if the overdue amount has been paid in full, consistently with the original payment schedule. Alternatively, the exposure may be classified to a better risk category where considerable payments have been made, leading to believe that the debt exposure is very likely to be repaid.

Handling procedure for overdue performing loans involves specific credit recovery actions, according to the amount of overdue days.

### *3.2 Write-off*

The Group records a write-off of a financial asset whenever there are no reasonable expectations of recovering capital and interests.

The evaluations on possible write-offs are implemented based on different criteria, listed below (by way of example and not exhaustive), such as:

- untraceable of borrower and/or guarantor, if present;
- lack of enforceable assets (i.e. lack of salary, real estate);
- unprofitable and expensive judicial actions in relation to the receivable;
- decease of the debtor and possible no living heirs and / or renunciation of the inheritance.

In any case, the Group policy is to not continue recovery activities after a write-off has been recorded.

### *3.3 Purchased or originated impaired financial assets*

The Group's current business model and company policies approved by the Board of Directors do not expect any purchase of impaired loans or origination of new credit facilities in any form (personal loans, mortgages, current account credit facilities, etc.) to already non-performing customers.

### *4. Commercial renegotiations and forbearance measures*

Renegotiations of financial instruments determining a change in the contractual terms are recognized, as described above, according to the materiality of variations in the contractual terms. The evaluation of the materiality of changes shall be carried out considering both qualitative and quantitative terms, in particular whenever liabilities are concerned. For more details reference is made to the paragraph "Renegotiations" on part A – Accounting policies of the Notes to the consolidated financial as of December 31, 2022.

As of June 30, 2023, no relevant increase in forbearance measures have been detected.

# Part E - Information on Risks and relating hedging policies

## Quantitative information

### *A. Credit quality*

As provided for in the 7th update of 29 October 2021 of Circular No. 262 "The banks' financial statements: layouts and preparations", on-demand loans to banks and central banks, recognised in the balance sheet item "Cash and cash balances", are included in the definition of cash credit exposures but are conventionally excluded from the tables on quantitative credit quality disclosures in Section 2 "Risks of the prudential consolidation", with the exception of table A.1.4.

### A.1 Impaired and unimpaired credit exposures: amounts, impairment, changes, distribution by business activity

#### A.1.1 Prudential consolidation: distribution of financial assets by maturity bands (balance sheet values)

(Amounts in € thousand)

| Portfolios / stages of risk | | Stage 1 | | | Stage 2 | | | Stage 3 | | | Purchased or originated credit-impaired | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | From 1 day to 30 days | Over 30 days until 90 days | Over 90 days | From 1 day to 30 days | Over 30 days until 90 days | Over 90 days | From 1 day to 30 days | Over 30 days until 90 days | Over 90 days | From 1 day to 30 days | Over 30 days until 90 days | Over 90 days |
| 1. Financial assets at amortised cost | | 30,956 | 2,775 | 100 | 173 | 5,427 | 1,019 | 307 | 18 | 3,591 | - | - | - |
| 2. Financial assets at fair value through other comprehensive income | | - | - | - | - | - | - | - | - | - | - | - | - |
| 3. Financial instruments classified held for sale | | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | **06/30/2023** | **30,956** | **2,775** | **100** | **173** | **5,427** | **1,019** | **307** | **18** | **3,591** | **-** | **-** | **-** |
| **Total** | **12/31/2022** | **24,495** | **2,839** | **108** | **331** | **1,731** | **1,748** | **57** | **12** | **3,205** | **-** | **-** | **-** |

# Part E - Information on Risks and relating hedging policies

## A.1.4 Prudential Consolidated - Cash and off-balance sheet credit exposures to banks: gross and net values

(Amounts in € thousand)

| Type of exposure/amounts | Gross exposures | | | | | Total value adjustments and total credit risk provisions | | | | | Net Exposure | Total Write-off* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | |
| **A. ON-BALANCE SHEET CREDITS EXPOSURES** | | | | | | | | | | | | |
| **A.1 ON DEMAND** | **1,518,722** | **1,518,722** | **-** | **-** | **-** | **(101)** | **(101)** | **-** | **-** | **-** | **1,518,621** | **-** |
| a) Non performing | - | X | - | - | - | - | X | - | - | - | - | - |
| b) Performing | 1,518,722 | 1,518,722 | - | X | - | (101) | (101) | - | X | - | 1,518,621 | - |
| **A.2 OTHERS** | **3,417,329** | **3,417,326** | **-** | **-** | **-** | **(264)** | **(264)** | **-** | **-** | **-** | **3,417,065** | **-** |
| a) Bad exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| - of which: forborne exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| b) Unlikely to pay | - | X | - | - | - | - | X | - | - | - | - | - |
| - of which: forborne exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| c) Non performing past due | - | X | - | - | - | - | X | - | - | - | - | - |
| - of which: forborne exposures | - | X | - | - | - | - | X | - | - | - | - | - |
| d) Performing past due exposures | - | - | - | X | - | - | - | - | X | - | - | - |
| - of which: forborne exposures | - | - | - | X | - | - | - | - | X | - | - | - |
| e) Other performing exposures | 3,417,329 | 3,417,326 | - | X | - | (264) | (264) | - | X | - | 3,417,065 | - |
| - of which: forborne exposures | - | - | - | X | - | - | - | - | X | - | - | - |
| **TOTAL (A)** | **4,936,051** | **4,936,048** | **-** | **-** | **-** | **(365)** | **(365)** | **-** | **-** | **-** | **4,935,686** | **-** |
| **B. OFF-BALANCE SHEET CREDITS EXPOSURES** | | | | | | | | | | | | |
| a) Non performing | - | X | - | - | - | - | X | - | - | - | - | - |
| b) Performing | 1,566,654 | 17,170 | - | X | - | (1) | (1) | - | X | - | 1,566,653 | - |
| **TOTAL (B)** | **1,566,654** | **17,170** | **-** | **-** | **-** | **(1)** | **(1)** | **-** | **-** | **-** | **1,566,653** | **-** |
| **TOTAL (A+B)** | **6,502,705** | **4,953,218** | **-** | **-** | **-** | **(366)** | **(366)** | **-** | **-** | **-** | **6,502,339** | **-** |

It should be noted that financial assets held for trading, derivative contracts and off-balance sheet transactions other than those subject to the impairment rules under IFRS 9 have been classified, by convention, as non-impaired exposures, but have not been included in the columns providing a breakdown by risk stage.

In the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to € 276,444 thousand.

# Part E - Information on Risks and relating hedging policies

### A.1.5 Prudential consolidation - Cash and off-balance-sheet exposures to customers: gross and net values

(Amounts in € thousand)

| Type of exposure/Amounts | Gross exposures | | | | | otal value adjustments and total credit risk provisions | | | | | Net Exposure | Total Write-off* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | Stage 1 | Stage 2 | Stage 3 | Purchased or originated credit-impaired | | |
| **A. ON-BALANCE SHEET CREDITS EXPOSURES** | | | | | | | | | | | | |
| **a) Bad exposures** | **16,702** | **X** | **-** | **16,702** | **-** | **(15,247)** | **X** | **-** | **(15,247)** | **-** | **1,455** | **-** |
| - of which: forborne exposures | 249 | X | - | 249 | - | (225) | X | - | (225) | - | 24 | - |
| **b) Unlikely to pay** | **4,893** | **X** | **-** | **4,893** | **-** | **(3,343)** | **X** | **-** | **(3,343)** | **-** | **1,550** | **-** |
| - of which: forborne exposures | 563 | X | - | 563 | - | (331) | X | - | (331) | - | 232 | - |
| **c) Non performing past due** | **4,279** | **X** | **-** | **4,279** | **-** | **(1,974)** | **X** | **-** | **(1,974)** | **-** | **2,305** | **-** |
| - of which: forborne exposures | 20 | X | - | 20 | - | (15) | X | - | (15) | - | 5 | - |
| **d) Performing past due exposures** | **40,921** | **33,993** | **6,928** | **X** | **-** | **(471)** | **(160)** | **(311)** | **X** | **-** | **40,450** | **-** |
| - of which: forborne exposures | 33 | - | 33 | X | - | (6) | - | (6) | X | - | 27 | - |
| **e) Other performing exposures** | **25,761,194** | **25,731,720** | **43,268** | **X** | **-** | **(18,536)** | **(13,719)** | **(4,817)** | **X** | **-** | **25,742,658** | **-** |
| - of which: forborne exposures | 1,581 | - | 1,581 | X | - | (14) | - | (14) | X | - | 1,567 | - |
| **TOTAL (A)** | **25,827,989** | **25,765,713** | **50,196** | **25,874** | **-** | **(39,571)** | **(13,879)** | **(5,128)** | **(20,564)** | **-** | **25,788,418** | **-** |
| **B. OFF-BALANCE SHEET CREDITS EXPOSURES** | | | | | | | | | | | | |
| **a) Non performing** | 181 | X | - | 58 | - | (79) | X | - | (6) | - | 102 | - |
| **b) Performing** | 2,581,281 | 33,664 | 612 | X | - | (48) | (48) | - | X | - | 2,581,233 | - |
| **TOTAL (B)** | **2,581,462** | **33,664** | **612** | **58** | **-** | **(127)** | **(48)** | **-** | **(6)** | **-** | **2,581,335** | **-** |
| **TOTAL (A+B)** | **28,409,451** | **25,799,377** | **50,808** | **25,932** | **-** | **(39,698)** | **(13,927)** | **(5,128)** | **(20,570)** | **-** | **28,369,753** | **-** |

It should be noted that financial assets held for trading, derivative contracts and off-balance sheet transactions other than those subject to the impairment rules under IFRS 9 have been classified, by convention, as non-impaired exposures, but have not been included in the columns providing a breakdown by risk stage.

In addition, in the above table, item B. "Off-balance sheet exposures" includes the counterparty risk related to securities lending transactions and to repos that can be classified as "Securities Financing Transactions" (SFT) defined in prudential regulations, amounting to € 383,522 thousand.

# Part E - Information on Risks and relating hedging policies

## B.4 Large exposures

As at 30 June 2023, the "risk positions" constituting a "large exposure" pursuant to the Commission Implementing Regulation (EU) No 451/2021 of 17 December 2020 which establishes technical implementation rules with regard to the reporting of entities for supervisory purposes in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, and subsequent Regulations that modify the content, are the following:

- book value: € 24,730,957 thousand, excluding the reverse repo transactions and indirect exposures as defined below;
- non-weighted value: € 26,750,147 thousand, including repurchase agreements and indirect exposures;
- weighted value: € 2,129,232 thousand, including repurchase agreements and indirect exposures;
- number of "risk positions": 35.

It should be noted that, in accordance with the EBA Guidelines on connected customers pursuant to Article 4, paragraph 1, point 39) of CRR, the large exposures also include counterparties with links to central governments that, although they do not individually exceed the 10% threshold of the eligible capital for large exposures, exceed this limit when the exposure to the sovereign to which they are linked by a control relationship is also considered.

It should be also noted that CRR, introduced the requirement to apply the "Substitution Approach", whereby an Institution, when reducing its exposure to a client using a credit risk mitigation technique eligible under Article 399, paragraph 1, treats, in the manner set out in Article 403, the portion of the exposure corresponding to the reduction as an exposure to the protection provider rather than to the client. This implies compliance with the limits set by Article 395 CRR on the sum of direct exposures to clients and exposures represented by collateral received ("indirect exposures"). In addition, the institutions add to the total exposures toward a client the exposures arising from derivative contracts where the contract has not been directly concluded with that client but the underlying debt or equity instrument has been issued by that client ("indirect exposures").

Following the deconsolidation of FinecoBank from the UniCredit Group took place, FinecoBank and UniCredit S.p.A. have entered into a contract (Pledge Agreement) which provides for the granting by UniCredit S.p.A. of financial guarantees in favour of FinecoBank aimed at guaranteeing credit risk exposures represented by UniCredit bonds, until their natural expiry, and from the financial guarantees issued by FinecoBank in favour of the Agency of Enter at the request of UniCredit S.p.A., until they are completely extinguished. These guarantees meet the requirements of the applicable legislation to be eligible in the context of credit risk mitigation techniques (CRM), with the consequent reduction in the exposure to UniCredit Group for the purposes of determining the Fineco Group's large exposures.

Finally, please note that deferred tax assets within the exposure towards the Italian Central Government have been exempted and, therefore, their weighted value is null.

# Part E - Information on Risks and relating hedging policies

## Information on exposures in securities issued by sovereign States

The Group is exposed to the sovereign debt of some countries, having invested a portion of its assets in debt securities issued by governments and recognized in the caption “Financial assets designated at fair value through other comprehensive income” and in “Financial assets at amortised cost”. The following table shows the face value, the book value and the fair value of these exposures as at June 30, 2023. The Group is exposed to securities issued by sovereign States which are classified under the caption "Other financial assets mandatorily at fair value" accounts for € 80 thousand.

In addition, the Group hold investments in debt securities issued by Supranational institutions and Agencies accounted for in "Financial assets at amortised cost”.

(Amounts in € thousand)

| | Nominal valure as at | Carrying amount as at | Fair value as at | % Financial statements item |
|---|---|---|---|---|
| | 06/30/2023 | 06/30/2023 | 06/30/2023 | 06/30/2023 |
| **Italy** | **6,192,218** | **6,012,005** | **5,742,920** | **17.8%** |
| Financial assets at amortised cost | 6,192,218 | 6,012,005 | 5,742,920 | 20.6% |
| **Spain** | **4,920,000** | **4,559,847** | **4,490,254** | **13.5%** |
| Financial assets at amortised cost | 4,920,000 | 4,559,847 | 4,490,254 | 15.6% |
| **Germany** | **175,000** | **171,678** | **155,708** | **0.5%** |
| Financial assets at amortised cost | 175,000 | 171,678 | 155,708 | 0.6% |
| **France** | **1,508,500** | **1,483,357** | **1,309,124** | **4.4%** |
| Financial assets at fair value through other comprehensive income | 35,000 | 27,647 | 27,647 | 100.0% |
| Financial assets at amortised cost | 1,473,500 | 1,455,710 | 1,281,477 | 5.0% |
| **U.S.A.** | **563,225** | **558,572** | **552,050** | **1.7%** |
| Financial assets at amortised cost | 563,225 | 558,572 | 552,050 | 1.9% |
| **Austria** | **671,000** | **665,107** | **585,027** | **2.0%** |
| Financial assets at amortised cost | 671,000 | 665,107 | 585,027 | 2.3% |
| **Ireland** | **960,500** | **910,046** | **881,849** | **2.7%** |
| Financial assets at amortised cost | 960,500 | 910,046 | 881,849 | 3.1% |
| **United Kingdom** | **58,256** | **58,367** | **58,324** | **0.2%** |
| Financial assets at amortised cost | 58,256 | 58,367 | 58,324 | 0.2% |
| **Belgium** | **715,000** | **715,180** | **630,502** | **2.1%** |
| Financial assets at amortised cost | 715,000 | 715,180 | 630,502 | 2.5% |
| **Portugal** | **330,000** | **373,633** | **326,851** | **1.1%** |
| Financial assets at amortised cost | 330,000 | 373,633 | 326,851 | 1.3% |
| **Switzerland** | **32,693** | **32,632** | **32,628** | **0.1%** |
| Financial assets at amortised cost | 32,693 | 32,632 | 32,628 | 0.1% |
| **Saudi Arabia** | **90,000** | **90,032** | **72,548** | **0.3%** |
| Financial assets at amortised cost | 90,000 | 90,032 | 72,548 | 0.3% |
| **Chile** | **203,100** | **213,469** | **167,363** | **0.6%** |
| Financial assets at amortised cost | 203,100 | 213,469 | 167,363 | 0.7% |
| **China** | **165,832** | **165,444** | **130,952** | **0.5%** |
| Financial assets at amortised cost | 165,832 | 165,444 | 130,952 | 0.6% |
| **Latvia** | **30,000** | **29,756** | **22,392** | **0.1%** |
| Financial assets at amortised cost | 30,000 | 29,756 | 22,392 | 0.1% |
| **Iceland** | **15,000** | **14,969** | **12,491** | **0.0%** |
| Financial assets at amortised cost | 15,000 | 14,969 | 12,491 | 0.1% |
| **Total sovereign exposures** | **16,630,324** | **16,054,094** | **15,170,983** | **47.5%** |

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 indicated.

Please note that securities denominated in currencies other than euro have been converted into euro according to the spot exchange rate at the reference date of the financial statements.

As at June 30, 2023, investments in debt securities issued by Sovereign States accounted for 47.5% of the Group’s total assets and none of them were structured debt securities.

# Part E - Information on Risks and relating hedging policies

The following table shows the sovereign ratings as at June 30, 2023 for countries to which the Group is exposed, provided by Fitch Ratings, Moody's and Standard & Poor's.

| | Moody's | Fitch Ratings | Standard & Poor's |
|---|---|---|---|
| Italy | Baa3 | BBB | BBB |
| Spain | Baa1 | A- | A |
| Germany | Aaa | AAA | AAA |
| France | Aa2 | AA- | AA |
| USA | Aaa | AAA | AA+ |
| Austria | Aa1 | A+ | AA+ |
| Ireland | Aa3 | AA- | AA |
| Belgium | Aa3 | AA- | AA |
| Portugal | Baa2 | BBB+ | BBB+ |
| United Kingdom | Aa3 | AA- | AA |
| Switzerland | Aaa | AAA | AAA |
| Saudi Arabia | A1 | A+ | A |
| Chile | A2 | A- | A+ |
| China | A1 | A+ | A+ |
| Latvia | A3 | A- | A+ |
| Iceland | A2 | A | A |

# Part E - Information on Risks and relating hedging policies

## 1.2 - Market risk

Market risk derives from changes in market variables (interest rates, securities prices, exchange rates, etc.) affecting the economic value of the Group's portfolio. The latter includes assets held in the trading book (assets held for trading) as well as those in the banking book, i.e. the transactions connected to strategic investment choices.

### Risk Management Strategies and Processes

The Board of Directors of FinecoBank sets strategic guidelines for market risks taking, approves the market risk general framework and any significant changes, relating to the organisational structure, strategies, and methodologies and defines maximum risk appetite level.

The strategic approach of the Group is to maintain the minimum level of market risk compatibly with business needs and the limits established by the Risk Appetite Framework approved by the Board of Directors.

Market risk in FinecoBank is defined through two sets of limits:

- Overall measures of market risk (e.g. VaR): which are meant to establish a boundary to the internal capital absorption and to the economic loss accepted in trading activities; these limits must be consistent with assigned revenue targets and the defined risk taking capacity;
- Granular measures of market risk (Sensitivity limits, Stress scenario limits and 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, portfolios and products, these limits are generally granular sensitivity or stress-related limits. The levels set for granular limits aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

### Structure and Organisation

The Market & Liquidity Risk function, within the CRO Department, in full compliance with local legal and regulatory obligations is tasked primarily – but not exclusively – with:

- defining, implementing and refining adequate metrics at a global level to measure the exposure to market risk;
- proposing, based on the defined metrics, risk limits consistent with the risk appetite approved by the Board of Directors;
- calculating risk metrics for the global and granular measures for the Group's portfolios;
- checking that the measurements are consistent with the approved limits;
- initiating the escalation process when limits are exceeded, engaging the Group’s Top Management;
- discussing and approving new products with innovative and complex market risk profiles.

### Impacts of the crisis unfolded by and the Russia-Ukraine military conflict

During the first half of 2023, no impacts on the market risk profile resulting from the the Russia-Ukraine military conflict were recorded. Furthermore, no impacts on the market risk profile resulting from the aforementioned events were recorded during the first half 2023, neither with regard to the banking book nor with regard to the trading book.

### Risk measurement and reporting framework

#### *Trading Book*

The main tool used by the Group to measure the market risk of trading positions is Value at Risk (VaR), calculated using the historic simulation approach.

The historic simulation method involves the daily revaluation of positions on the basis of market price trends over an appropriate observation period. The resulting distribution of profits and losses is analysed to determine the effect of extreme market fluctuations on portfolios. The percentile value of the distribution corresponding to the set confidence level represents the VaR. The following parameters are used to calculate the VaR: confidence level 99%; time horizon of 1 day; daily update of the time series; observation period of 250 days.

# Part E - Information on Risks and relating hedging policies

### *Banking Book*

The primary responsibility for monitoring and controlling Market Risk management in the banking book lies with the Group's competent Bodies. The Parent Company CRO Department is responsible for monitoring market risk on the banking book by defining the structure, the relevant data and the frequency for adequate reporting.

Market risk in the banking book mainly consists of credit spread risk, interest rate risk and exchange rate risk. The first one mainly arises from investments in debt securities held for liquidity purposes. Market risk associated with the bond portfolio is monitored and restrained by limits on the notional amount, Economic Value sensitivity and the Value at Risk.

The second one, interest rate risk, is managed for stabilization purposes. The banking book interest rate risk measure covers the dual aspect of the value and the net interest income/expense of the Group. More precisely, the different, and complementary, perspectives involve:

- Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the Group may be viewed as the present value of the expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities. A relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 basis point rate shock. Such measure is considered relevant to assess the economic value impact of various changes in the yield curve. The economic value sensitivity is also calculated 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 200 bp parallel shock in rates. Such measure provides an indication of the impact that such a shock would have on the net interest margin over the next 12 months.

The third one is exchange rate risk. This exposure mainly derives from a mismatching of assets and liabilities in USD. Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

## Procedures and methodologies for valuation of Trading Book positions

The Group ensures that the value applied to each trading book position appropriately reflects the current fair (market) value, i.e. the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of each financial instrument is based on, or derived from, observable market prices or inputs. The availability of observable prices or other market variables differs by product and market, and might change over time.

If observable prices or parameters are readily and regularly available (i.e. satisfying adequate liquidity requirements), they are directly employed in the determination of fair value (mark-to-market).

In non-active markets or for certain instruments, for which observable prices or inputs are not available, fair value is calculated using valuation techniques that are appropriate for the specific instrument (mark-to-model). This approach involves estimation and judgement, therefore, it might require valuation adjustments in order to take into account bid-ask spreads, liquidity and counterparty risk, besides the employed pricing model. In addition, each pricing model used for *fair value* calculation is validated by a dedicated function independent from business units.

In order to ensure an adequate separation between developing functions and validating functions, all valuation models developed shall be centrally tested and validated by functions fully independent from those that have developed the model thereof. Model validation is also centrally carried out for any new system or analysis tool whose outcome has a potential impact on the Group's economic results.

In addition to daily marking to market or marking to model, the CRO Department carries out an Independent Price Verification (IPV). This is the process through which market prices or model inputs are regularly verified for accuracy and independence. Whereas marking to market or marking to model may be performed daily by front-office dealers, the verification of market prices and model inputs is performed on a monthly basis.

## Risk measures

### *VaR*

The VaR calculated within market risk measurement for both the banking and trading book is based on the historical simulation approach. The selected model has several advantages:

- it is easy to understand and communicate;
- it does not require any specific assumptions about the functional form of the distribution of yields of the risk factors;
- it does not require an estimation of the variance-covariance matrix of the market factors that may affect the value of the portfolio.

- it captures the correlation structure reflected in the simultaneous changes in market factors, implicitly assuming that it will remain constant in the future.

On the other hand, VaR models based on historical simulations do not provide any information on the amount of the loss exceeding the VaR. This why the Group's framework uses additional instruments such as stress tests.

### *1.2.1 Interest rate risk and price risk – regulatory trading book*

## Qualitative information

### *A. General Matters*

The trading book is used to hold debt securities (ordinary and subordinated, structured and plain vanilla), equity instruments, and certificates – listed and non-listed – related to brokerage activities with retail customers.

The Group does not perform proprietary trading and does not assume directional speculative positions in its books. Accounting movements in the Group's trading book are recorded against brokerage activities with retail customers, in particular with regard to trading activity for the dealing on own account, according to which the FinecoBank becomes a direct counterparty to its clients. Such activity, which also include systematic internalization for a set of predefined securities and market making on the certificates issued by FinecoBank, is performed as a result of the options introduced by the MiFID which allow the execution of orders for financial instruments in a number of execution venues including internal execution.

### *B. Processes for managing and methods for measuring interest rate risk and price risk*

For a characterization of both internal risk monitoring, managing processes and risk assessment methodologies, please refer to the introduction.

## 3. Regulatory trading book: internal models and other methods of sensitivity analysis

The Group monitors the VaR of the Trading Book on a daily basis.

As at June 30 2023, the daily VaR of the trading book amounted to € 152 thousand. The average for the first half of 2023 is € 157 thousand, with a maximum peak of € 379 thousand and a minimum of € 25 thousand.

The volatility in the price of instruments determines direct impacts on the income statement.

### *1.2.2 Interest rate risk and price risk – banking book*

## Qualitative information

### *A. General aspects, management processes and measurement methods for interest rate risk and price risk*

Interest rate risk consists of changes in interest rates affecting:

- the net interest margin, thus, the Group's earnings;
- the net present value of assets and liabilities, as well as the present value of future cash flows.

The Group measures and monitors interest rate risk daily, within the methodological framework and the corresponding limits or thresholds approved by the Board of Director. Such limits concern to the sensitivity of the net interest margin and the economic value.

Interest rate risk has an impact on every position resulting from strategic investment decisions (banking book).

The main sources of interest rate risk may be classified as follows:

- gap risk: this derives from the term structure of the banking book and describes the risk arising from the instrument's timing of interest rate update. The gap risk also includes the repricing risk, arising from time mismatches in terms of the repricing of the Group's assets and liabilities. These mismatches result in a risk associated with the yield curve. This risk relates to the Group's exposure to changes in the slope and shape of the yield curve.

- basis risk: this can be divided into two types of risk:
  - tenor risk, arising from the mismatch between instrument expiry and the change in interest rates;
  - currency risk, defined as the risk of a potential offsetting between interest rate sensitivities arising from exposure to the interest rate risk in various currencies;
- 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 risk appetite and the risk limits concerning interest rates. These limits are set in terms of Economic Value Sensitivity and Net Interest Income Sensitivity.

With reference to the Economic Value Sensitivity, in order to assess the effects of changes in the interest rate curve on the banking book, scenario analyzes are carried out on a weekly basis which envisage multiple changes in the rate curve, both parallel (+/- 200 bps) and non-parallel. Among these, the six standardized scenarios - Supervisory Outlier Tests (see paragraph 2 "Banking book: internal models and other methods for sensitivity analysis") - defined by the EBA guidelines in force from time to time take on particular relevance. The sensitivity analysis of the economic value of the worst SOT scenario is monitored within the Risk Appetite; compliance with the specific risk thresholds is subject to quarterly reporting to the Corporate Bodies.

The NII Sensitivity indicator is calculated by applying two parallel shock scenarios envisaged by the SOT, which reflect the assumptions underlying the valuations of EV sensitivity scenarios and are calculated as follows:

- application of a post-shock floor increasing from -100 to 0 (from O / N to 20 years, an increase of 5 bps per year) for single currency and single curve;
- 50% weighting for the positive contributions of NII (per single currency).

The sensitivity analysis on the net interest income is monitored within the Risk Appetite as well by applying the parallel worst case scenario.

The market risk framework also includes a plurality of metrics which might be defined as global, for example Interest Rate VaR, and granular, for example BP01 (Basis Point 01) sensitivity; these metrics are monitored on a daily basis.

Lastly, the Risk Appetite Framework envisages risk limits in terms of VaR of the banking book and the trading book in which interest rate risk is a component (calculated using the method described above). Within the banking book, VaR is a measure of the Credit Spread Risk in the Banking Book (CSRBB).

For more details reference is made to section *2. Banking book: internal models and other methods of sensitivity analysis.*

# Part E - Information on Risks and relating hedging policies

## 2. Banking book: internal models and other methods of sensitivity analysis

In order to measure interest rate risk in the Group's financial statements it is necessary to measure the sensibility of loans and deposits to changes in the yield curve. FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of asset and liability items that do not have a contractual maturity; indeed even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

**EU IRRBB Template**

The assessments contained in the EU IRRBB Template report the exposure of the interest rate risk metrics on June 30, 2023 and December 31, 2022. For further information on the applied scenarios, please refer to the qualitative information section on Interest Rate Risk.

(Amounts in € thousand)

| | | a | b | c | d |
|---|---|---|---|---|---|
| Supervisory shock scenarios | | Changes of the economic value of equity | | Changes of the net interest income | |
| | | 06/30/2023 | 12/31/2022 | 06/30/2023 | 06/31/2022 |
| 1 | Parallel Up | (40,305) | (77,383) | 107,497 | 113,838 |
| 2 | Parallel Down | 14,472 | 38,481 | (218,336) | (235,729) |
| 3 | Steepener shock | 50,973 | 30,469 | - | - |
| 4 | Flattener shock | (110,284) | (75,240) | - | - |
| 5 | Short rates Up | (114,952) | (94,576) | - | - |
| 6 | Long rates Down | 60,071 | 49,285 | - | - |

The table shows the results of the so-called Supervisory Outlier Tests scenarios, as described in the previous paragraph, conducted on the economic value and on the interest margin. With reference to the Economic Value, the results show a negative sensitivity in the event of an increase in interest rates (parallel up or short rates up), while a positive sensitivity in the event of an increase in interest rates (parallel down or long rates down scenarios). The sensitivity analysis on the interest margin shows a positive impact in the upward shift on the interest rate curve, while a negative impact in the downward one. The sensitivity analysis on the interest margin conducted to date by applying the two parallel shock scenarios has replaced the previous analysis which envisaged shocks of +100/-25 bps. The change was motivated by the changed interest rate context and by the decision of the Board of Directors to include the NII Sensitivity indicator calculated with the worst parallel scenario in the Risk Appetite Dashboard.

In addition to the SOT scenarios described above, the Bank conducts weekly regulatory sensitivity analysis on the Economic Value with parallel scenarios of +/- 200 bps. Assuming a shift of +200 basis points on the euro interest rate curve, the analysis shows a negative impact of € -40,296 thousand. A shift of -200 basis points shows a positive impact of € 14,300 thousand.

With reference to the remaining interest rate risk measures, it should be noted that the sensitivity analysis on the value of equity assuming a shift of + 1 basis point (BP01) shows a negative impact which totals € -167 thousand.

As at 30 June 2023, the Group's Interest Rate VaR (*Holding period 1 day, 99% confidence interval) stood at around €9,092 thousand. The average for the first half of 2023 is equal to € 11,494 thousand with a maximum peak of € 18,259 thousand and a minimum of € 8,746 thousand.

The total VaR, including the Credit Spread Risk component deriving mainly from sovereign securities held for the use of liquidity and including the Credit Spread Risk of UniCredit bonds, is equal to € 72,453 thousand. The average for the first half of 2023 is equal to € 102,577 thousand with a maximum peak of € 120,572 thousand and a minimum of € 70,573 thousand.

# Part E - Information on Risks and relating hedging policies

*1.2.3 Exchange Rate Risk*

## Qualitative information

### *A. General aspects, management processes and measurement methods for exchange rate risk*

As part of its treasury activities, the Group collects funds in foreign currencies, mainly US dollars, through customer deposits, subsequently investing these funds mainly in bank deposits and bonds with leading credit institutions, denominated in the same currency. The impact on balance sheet items is estimated through the Forex VaR indicator.

The VaR of the Group's positions is not used for the calculation of Pillar 1 capital requirement, as it is not required by the selected traditional standardised approach. The metric described is therefore only used for managerial and risk monitoring purposes.

### *B. Exchange rate risk hedging*

Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

The component of exchange rate risk that contributes to the formation of the overall VaR is usually tied to the temporal mismatch between assets and liabilities in US dollars.

## 2. Internal models and other methods of sensitivity analysis

As at June 30, 2023, the daily Forex VaR of the overall portfolio (banking and trading books) was approximately € 37 thousand. The average for the first half of 2023 is equal to € 81 thousand with a maximum peak of € 143 thousand and a minimum of € 37 thousand.

# Part E - Information on Risks and relating hedging policies

## 1.4 - Liquidity Risk

### Qualitative information

#### *A. General aspects, management processes and measurement methods for liquidity risk*

Liquidity risk can be briefly defined as the risk that the Group, also due to unexpected future events, may be unable to meet its payment obligations or to efficiently match expected cash inflows and outflows.

The different types of liquidity risk managed by the Group are as follows:

- short-term liquidity risk refers to the risk of non-compliance between the amount and / or deadlines of incoming and outgoing cash flows in the short term (less than one year);
- market liquidity risk is the risk that the Group may face significant and adverse price change, generated by exogenous and endogenous factors resulting in losses, through the sale of assets considered liquid. In the worst case, the Group may not be able to liquidate the positions thereof;
- structural liquidity risk is defined as the Group's inability to procure, in a stable and sustainable manner, the necessary funds to maintain an adequate ratio between medium / long-term assets and liabilities (over one year) at reasonable price without impacting the daily operations or the financial situation of the Group;
- stress or contingency risk is linked to future and unexpected obligations (for example withdrawals from deposits) and may require the bank to have a greater amount of liquidity than the one considered necessary to manage the ordinary business;
- financing risk, is the risk that the Group may not be able to deal effectively with any planned cash outflows.

In order to deal with its exposure to liquidity risk, the Group invests the part of its liquidity estimated by internal models as persistent and stable (so-called core liquidity) into medium/long-term investments. The amount of liquidity characterized by a lower persistence profile (so-called non-core liquidity) is employed in liquid or easily liquidable assets, such as, for example, demand deposits, short-term loans or government securities that can be used as a short-term source of funding at the Central Bank.

At the reporting date, there were no "Contingent liquidity and funding needs", such as, for example, accelerated repayment clauses or the issue of additional guarantees relating to a downgrade of the Group.

**The key principles**

The Group's purpose is to maintain liquidity at a level that allows to conduct the main operations safely, finance its activities at the best rate conditions in normal operating circumstances and always remain in a position to meet payment commitments. In particular, the investment policy consider as a priority, among all prudential criteria, the liquidability of the instruments; the outcome of this policy translates into liquidity indicators exceeding by far minimum regulatory requirements.

The Group has a "Group Liquidity Policy", directly applicable to the Parent Company and its Legal Entities, which defines the set of principles and rules that oversee the management of liquidity and related risks in the Group. In particular, the Policy describes the management of liquidity and its risks in standard and crisis conditions, first and second level control activities and the Group's related governance, defining roles and responsibilities of corporate Bodies and functions, both for the Parent Company and its Legal Entities, ensuring consistency between the liquidity risk contingency plan, the capital contingency plan, the Group Risk Appetite Framework and the Group Recovery Plan.

**Roles and responsibilities**

The "Group Liquidity Policy" establishes the principles adopted in terms of internal governance, which envisage the involvement of the Treasury and Risk Management functions.

The operational management of liquidity is carried out by the Treasury department, which ensures effective and efficient management of liquidity in the short and medium/long term, monitoring of liquidity exposure and first-level controls on the management process.

The Risk management function is responsible for monitoring compliance with limits and implementing the rules on liquidity risk, the implementation of selected risk metrics and the assessment of selected methods.

To this end the "Group Liquidity Policy" explicitly refers to the first and second level monitoring, both from a regulatory and management standpoint:

- Short-term liquidity risk management (operational liquidity), which considers the events that may impact upon the Group's liquidity position from one day up to one year. The primary objective is to maintain the Group's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs;

# Part E - Information on Risks and relating hedging policies

- Structural liquidity risk management (structural risk), which considers the events that may impact upon the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoiding pressures on short-term funding sources (both current and future);
- Stress tests: Liquidity risk is a low probability, high impact event. Therefore stress testing is a tool able to reveal potential vulnerabilities. The Group uses several scenarios ranging from general market crisis to idiosyncratic crisis, and combinations thereof.

In this context, the Group takes into account all of the assets, liabilities, off-balance sheet positions and present and future events that generate certain or potential cash flows, thereby protecting the Group from risks related to the transformation of maturity.

**Short term liquidity management**

Short-term liquidity management aims at ensuring that the Group remains in a position to fulfil its cash payment obligations always, whether expected or unexpected, focusing on the exposure for the first twelve months.

On a daily basis, the Group calculates the Operative Maturity Ladder, which measures the cash inflows and outflows affecting the monetary base, with details of the main temporal buckets.

The Group’s objective is to provide sufficient short-term liquidity to deal with a particularly adverse liquidity crises for at least three months.

**Structural liquidity management**

The objective of the Group's structural liquidity management is to maintain an adequate ratio between medium/long term assets and liabilities (generally over one year), with a view to avoiding pressures on short-term funding sources, both current and future. To this end, the Group adopts a prudent approach to its investments of liquidity, taking into account funding maturities. The indicator used and monitored as part of the wider Risk Appetite Framework (NSFR) ensures that assets and liabilities have a sustainable maturity structure. The regulatory indicator is also complemented by a managerial indicator called "Structural Ratio", which shares its objectives and most of its logic. Such indicator was developed by the CRO Department of the Parent Company with the purpose of managing the risk of maturity transformation, considering the specificities of Fineco's funding represented in the Bank's sight items model.

**Liquidity Stress Test**

Liquidity Stress Tests evaluate the impact of macro or micro-economic scenarios on Fineco's liquidity position, with the aim of testing the Bank's ability to continue its business in situations of liquidity distress.

Stress tests are carried out by simulating scenarios of idiosyncratic stress (decline in customer confidence) and situations of general market shock; a combination of the two shall also be considered in the stress test program. Within the stress test simulations, sensitivity analyzes are also provided to evaluate the impact produced by the movement of a particular single risk factor.

Additional scenarios are also defined (so-called reverse stress testing) aimed at identifying the risk factors and the circumstances that would lead to the Group’s point of non-viability.

**Behavioural modelling of Liabilities**

FinecoBank has developed specific behavioural models aimed at estimating the maturity profile of liability items not having a contractual maturity; indeed, even though some assets and liabilities may be payable on demand, they could actually show some stickiness.

More specifically, liabilities modelling aims to build a profile reflecting at that best the behavioural characteristics of the items. An example is on sight deposit: estimates of the maturity profile reflect the perceived stickiness. Such behavioural models are developed by the Parent Company CRO Department and validated by the Internal Validation Group’s function.

**Group’s Contingency Liquidity Management**

The objective of the Group "Contingency Plan on liquidity risk", defined in the Group Liquidity Policy, is to ensure timely implementation of effective interventions also during the initial stage of a liquidity crisis, through a clear identification of individuals, powers, responsibilities, communication, and reporting criteria, with the aim of significantly increasing the probability of successfully overcoming the state of emergency. This is achieved through:

- activation of extraordinary liquidity governance and operating model;
- consistent communication both internal and external;

# Part E - Information on Risks and relating hedging policies

- a set of available mitigating liquidity actions;
- a set of early warning indicators, also included within the Group Recovery Plan, showing any possible evidence of a developing liquidity crisis.

**Internal Liquidity Adequacy Assessment Process (ILAAP)**

In accordance with prudential provisions, the Group annually assesses the adequacy of the liquidity governance and management framework (ILAAP process) and gives appropriate disclosure to the Competent National Authority according to the terms established by the relevant legislation.

The stress tests, conducted within the ILAAP, carried out on the basis of scenarios that consider idiosyncratic, systemic risk factors and a combination thereof, did not show any criticality or relevant impacts for the Group.

# Part E - Information on Risks and relating hedging policies

## 1.5 - Operational risk

### Qualitative information

#### *A. General aspects, operational processes and methods for measuring operational risk*

#### *Operational risk definition*

Operational risk is defined as the risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, financial advisors, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk.

For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, customer claims, product distribution, fines and penalties for regulatory breaches, damage to the Company's physical assets, business disruption and system failures, and management of processes.

#### *Operational risk framework*

The Group has a Global Policy for the monitoring and control of operational and reputational risks, approved by the Board of Directors of the Parent Company FinecoBank which defines the roles of corporate bodies and of the risk management function as well as any interactions with other functions involved in the process. Besides setting roles and responsibilities, the policy describes the risk measuring and monitoring process and the activities carried out for mitigation and prevention purposes.

The Group has also a Global Policy which defines the governance and control system for ICT and Cyber risks within the Group. The document was recently updated in order to comply with the 40th update of Bank of Italy Circular 285, which introduced significant changes in the management, assessment and monitoring of IT and Cyber risk.

#### *Organisational structure*

The Board of Directors is responsible for approving all aspects relating to the operational risk framework and verifying the adequacy of the measurement and control system and shall be regularly updated on changes to the risk profile and operational risk exposure.

The reports produced by the CRO Department for the Board of Directors ensure that management and control bodies are constantly updated on operational risk trend within the Group and they are able to actively intervene in risk management and mitigation. The Chief Risk Officer participation in the Products Committee also ensures oversight of the operational risk associated with the Group's new business activities.

The Operational & Reputational Risk Management (ORM) function is part of the CRO Department, which reports to the Chief Risk Officer of FinecoBank who in turn reports directly to the Chief Executive Officer and General Manager.

The main activities carried out by the Team in terms of operational risk are:

- definition of the system mitigating and controlling operational, ICT and Cyber risks, in compliance with external regulations and, in accordance with the guidelines provided by the Board of Directors, and the Group's operational evolution;
- regularly prepare reports on exposure to operational and reputational risks aimed at informing and supporting management in management activities;
- prepare a Risk Indicators framework aimed at preventing operational and reputational risks, also originating from environmental, social and governance factors (ESG);
- verify that operating loss data identified by the various areas of the Group are regularly and promptly recorded;
- carry out, in collaboration with the other corporate functions, scenario analyses aimed at identifying and preventing potentially high impact losses, albeit unlikely;
- propose operational risk mitigation strategies to the Chief Risk Officer;
- carry out training and support on the control of operational risks to the Group's structures;
- guarantee a reputational risk oversight within the perimeter defined by the Group;
- carry out systematic remote controls, through Risk Indicators, on the entire sale Network, in order to mitigate the internal fraud arising from PFA operations;
- carry out ex-post controls on the verifications carried out by the Network Controls, Monitoring and Network Services Department in relation to internal frauds implemented by Personal Financial Advisors to the detriment of customers, in order to identify areas for improvement;
- implement and update the anomaly indicator management system framework, also according to new company activities and regulations;
- evaluate the effectiveness of PFA disloyalty insurance coverage, considering renewals, franchise and excess;
- evaluate operational and/or reputational risks resulting from the most significant transactions (e.g. significant outsourcing), ensuring their consistency with the RAF;
- support the Board of Directors in defining the risk appetite for operational, ICT and Cyber risk, and appropriately declining it within specific risk measures, metrics and indicators;

# Part E - Information on Risks and relating hedging policies

- ensure the effective implementation of the ICT risk assessment methodology, supporting and coordinating the individual functions involved during the process, each according to their responsibilities.

### *Operational risk management and mitigation*

Operational risk management consists in the review of processes meant to reduce the identified risks, the management of the related insurance policies, as well as the identification of the suitable franchise and excess values thereof.

As part of operational risk prevention and controls on the sales network, the CRO Department function has focused its activities on fraud prevention.

The development of remote monitoring aimed at preventing frauds has led to the creation of a system called System of Fraud Identification and Analysis (SoFIA). Such system can process a larger amount of data and information than individual indicators. The system works though an alert mechanism detecting any irregularity on a daily basis. In this way, all of the names highlighted to be checked are assessed at the same time with regard to all remote indicators.

On the basis of qualitative and quantitative assessments of these indicators, the assigned staff select any cases that need to be reported to the Network Controls, Monitoring and Network Services Department – reporting directly to the Chief Executive Officer – for subsequent examination.

Moreover, the Operational & Reputational Risk team is updated annually on the results of the tests conducted in accordance with the Business Continuity and Disaster Recovery plans.

In addition to the direct monitoring of the sale network, carried out with SoFiA, ex-post controls were also implemented on the verifications carried out by the Network Controls, Monitoring and Network Services Department in relation to internal frauds carried out by financial consultants to the detriment of customers, aimed at identifying any areas for improvement.

In addition to the aforementioned controls, reputational risks are monitored through the risk assessment carried out by the risk management function throughout the definition, development and approval phase of the Group's products. The participation of the Chief Risk Officer is indeed explicitly envisaged by “New product process” Global Policy.

### *Risk measurement system*

For the calculation of the regulatory requirement for operational risk, FinecoBank uses the Standardized Method established by art. 317 of regulation 575/2013 (CRR). Based on this approach, the requirement is calculated as a three-year average of the Relevant Indicator[21] broken down by business line and weighted by a coefficient set by the Supervisory Authority.

For the purpose of calculating Pillar II Internal Capital, however, the Group uses an internally developed model that leverages the historical series of internal loss data, recorded and classified in accordance with the criteria set by the CRR for the Advanced Measurement Approach (AMA ). In particular, art. 324 of the CRR provides for the classification of loss data in the 7 Event Types (ET) described below:

- Internal fraud: losses due to unauthorised activities, fraud, embezzlement or infringement of laws, regulations or company directives that involve at least one internal staff member of the Group or a resource hired under an agency contract (PFA);
- External fraud: losses owing to fraud, embezzlement or violation of laws by subjects external to the Group;
- Employment practices and workplace safety: losses due to actions not compliant with the law or to agreements regarding employment, health and safety, to the payment of compensation for bodily harm, or to cases of discrimination or non-application of equality conditions;
- Customers, products and professional practices: losses arising from non-fulfilment of professional obligations towards customers or from the nature or characteristics of the products or services provided;
- Damage from external events: losses arising from external events, including natural disasters, acts of terrorism and vandalism;
- Business disruption and system failures: losses owing to business disruption and system failures or interruptions;
- Process management, execution and delivery: losses due to deficiencies in the completion of transactions or management of processes, as well as losses due to relations with commercial counterparties, vendors and suppliers.

The analysis of operational losses also allows the CRO Department to formulate assessments on the Group's exposure to operational risks and to identify any critical areas.

As far as second line controls are concerned, the CRO Department uses several key risk indicators divided into control areas (Credit Cards, Compliance, HR, Legal, Operations securities, Payment Systems, Claims, Risk Management, Reputation, Transparency, AML/CFT, IT systems, Security, Administration and Audit), with which the Group mean to measure its exposure to operational risk. Should indicators show irregular values, this might be related to changes in the exposure to operational risk. Within the overall set of KRI, several ESG relevant indicators have been identified. Any irregular value of such risk indicators may signal risks related to customer relationship (e.g. client claims, unavailability or security issues in the ICT system), with employees (e.g. high turnover) or with regulators, which may affect business sustainability.

[21] The Relevant Indicator is given by the sum of various items of the Income Statement, and largely coincides with the Group's intermediation margin.

# Part E - Information on Risks and relating hedging policies

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.

### *Risks arising from significant legal disputes*

The Group, only referred to FinecoBank, is involved in individually insignificant legal proceedings over which there is considerable uncertainty regarding the outcome and the amount of possible charges, which the Bank could be forced to pay. Where it is possible to reliably estimate the amount of possible charges and the charges are considered likely, provisions have been made in an appropriate amount based on the circumstances and consistent with applicable international accounting standards, by making the best possible estimate of the amount that the Group will reasonably be expected to incur in discharging its obligations. Specifically, as a precaution against these obligations and customer claims that have not yet resulted in legal proceedings, as at June 30, 2023, FinecoBank had a provision in place for risks and charges of € 23,958 thousand. This provision includes the legal costs borne by the Group in the event of an adverse conclusion of the dispute plus the estimated expenses to be paid to legal advisors and/or any experts who assist the Group in ongoing disputes to the extent that it is believed that they will not be reimbursed by the counterparties. This estimate was determined by the Group, in relation to the current dispute, mainly based on the analysis of Forensic official tariffs provided for by current legislation.

### *Risks arising from tax disputes and audits*

Risks arising from tax disputes and audits as of June 30, 2023, mainly relate to a notice of assessment for the year 2003 received by FinecoBank containing an objection to the use of tax credits for € 2.3 million, in relation to which the Bank has appealed as it considers its position to be well-founded. After several levels of judgement in favour of the Bank, we are waiting to hear the Revenue Agency's determinations on whether or not to appeal to the Supreme Court. The Bank has already paid the additional taxes and interest due.

Regarding the aforementioned dispute, the higher taxes, interests and penalties have already been recognised in the income statement with a contra entry, respectively, in tax liabilities and the provision for risks and charges. Moreover, tax receivables for the amounts paid to the tax administration have been recognised.

In light of the foregoing, as of June 30, 2023, the Group had in place provisions that adequately reflect the specific circumstances and are in line with international accounting standards; specifically, to tax liabilities of for a total of € 5.6 million, for higher tax, and to provisions for risks and charges of € 3.5 million, for penalties and interest.

### *The assessment of ICT and Cyber risks*

The 40th update of Bank of Italy Circular 285/2013 introduced significant changes in the management, assessment and monitoring of IT and Cyber risk. Among these, the document provides for the establishment of an ICT and security risk control function, leaving the entities free to assign the new tasks to the company risk control and compliance functions already present, in relation to the roles, responsibilities and the responsibilities of each of the two functions. As of today, the FinecoBank Group has chosen to divide the responsibilities of the new control function between the CRO Department and the Compliance Department.

The two Departments consequently updated their control framework in order to fully align it with the regulatory provisions. With reference to the CRO Department, this involved integrations relating to the declination of the risk appetite, the ICT/Cyber risk metrics monitored and the risk assessment of substantial changes of the ICT system.

The Group periodically carries out specific scenario analyses, aimed at assessing the impact of events characterized by low frequency but high severity, and on an annual basis an overall analysis of the IT risk situation. In particular, the outcome of this last activity, carried out with the collaboration of the business, ICT and Organization structures of the Group, was approved by the Board of Directors in November 2022. The analysis showed that, with respect to the business volumes processed and the complexity of the processes involved, the residual IT risk of FinecoBank is on average low. The exposure to residual risk has been formally accepted by Fineco's Process Owners without the need to identify additional mitigation measures.

The Group's goal is also to protect customers and the business by ensuring data security, declined in its characteristics of availability, confidentiality and integrity. Particular attention is in fact paid to the issues of Cyber Security & Fraud Management from the system design phase, as enabling elements for the correct definition of solutions and services offered, also taking advantage of the opportunities offered by the evolving regulatory context, in order to create full security for the customer while maintaining ease of use. For further information on Cyber Security and Fraud Management, please refer to the Consolidated Non-Financial statement of the FinecoBank Group 2022, published on the FinecoBank website (https://about.finecobank.com).

It should be noted that on 24 February 2022, with the start of the military conflict between Russia and Ukraine, the CSIRT (the National Cybersecurity Agency's response team) called for heightened attention and the adoption of all measures to protect ICT assets, an alert addressed to Italian companies that have relations with Ukrainian operators. On 28 February 2022, the Agency produced a new alert, this time addressed to all national digital infrastructure operators, urging them to adopt "a posture of maximum cyber defence": the offensive could in fact be directed against the coalition that has mobilised to support the attacked country. As far as Italy is concerned, the targets are generally ministries, government agencies, and

# Part E - Information on Risks and relating hedging policies

companies that are strategic for the national interest, including financial institutions. The Group's objective is to ensure the protection of customers by guaranteeing data security, declined in its characteristics of availability, confidentiality and integrity: in the light of the Russian-Ukrainian crisis on the EU financial markets, particular attention has been paid to the assessment of related risks. In compliance with the measures provided for by current legislation, Fineco has undertaken a series of initiatives aimed at verifying its security posture and operational readiness, also making use of the indications and recommendations suggested by the various national and international bodies. Without prejudice to the adoption, as always, of best practices in the field of security, in terms of both technical and organizational/procedural measures, further mechanisms have been assessed and introduced to deal with any impacts deriving from the contingent situation ensuring, at the same time, the constant and continuous monitoring of the evolution of the context.

### *Analysis of operational and security risks related to payment services*

In accordance with the 28th update of Bank of Italy Circular 285, the Group carries out an assessment of operational and security risks related to payment services provided by the Group. The adequacy of mitigation measures and control mechanisms in place are also in scope. The resulting report for the year 2022 did not show any criticalities or weaknesses, and it was sent to the Bank of Italy within April 30, 2023, according to the rule thereof.

### *Impacts of the crisis unfolded by Russia – Ukraine conflict*

No relevant impacts arising from Russia – Ukraine conflict have been detected so far on the Group operational risk profile. Available KRI are not showing any risk profile change, and it has not been detected any operational loss strictly connected with Russia – Ukraine conflict so far.

FinecoBank has not changed its strategies, objectives or policies for managing, measuring and controlling operational risks as a result of the Russia-Ukraine military conflict.

## Quantitative information

Operational loss analyses enable the Operational & Reputational Risk team to make assessments on the Group's exposure to operational risk and to identify any critical areas.

As at June 30, 2023, 72% of the Group's operating losses relate to conduct risk, which includes the two event types "Internal fraud" and "Customers, products and business practices". In particular, the "internal fraud" event type mainly manifests itself through fraud perpetrated to the detriment of customers by financial advisors who are part of the sales network. To mitigate this risk, in addition to the many remote controls carried out on the sales network by various Bank structures (Network Control Department, Internal Audit, Compliance and CRO Department), an insurance policy was taken out on the infidelity of financial advisors. The "Customers, products and professional practices" event type, on the other hand, mainly manifests itself through the misselling of financial products to customers.

The losses relating to the other event types described above are residual and equal to approximately 28%.

The data reported are consistent with FinecoBank's business model which focuses on offering financial advisory services to retail customers and has one of the largest sales networks in Europe.

# Part E - Information on Risks and relating hedging policies

## 1.6 - Other risks

Although the risk types described above represent the main categories, there are others the Group considers nevertheless important. According to Pillar 2 regulatory requirements, the Group annually carries out a risk assessment identification process aimed at identifying all relevant risks different from Pillar One risks (credit, market and operational), to which the Group is, or may be exposed to. Along with traditional financial risks, potential significant non-financial risks are also identified, including for example reputational risks and those deriving from environmental, social and governance (ESG) factors.

After the identification of all relevant risks, the best method for analyzing them shall be identified, whether quantitative or qualitative. The quantitative measurement may be carried out through several tools, such as scenario analysis (this is the choice in particular for hard quantifiable risk such as the reputational risk and the compliance risk), VaR or the Internal Capital calculation. The latter stands for the capital needed to cope with potential losses arising from the Group's activities, and takes into consideration all risks defined by the Group itself quantifiable in terms of capital, consistently with Pillar two requirements.

The main risks considered in the overall Group Internal Capital as of June 2023 are default risk, concentration risk, migration risk, market risk, interest rate risk, credit spread risk, operational risk, business risk, and real estate risk. The overall Internal Capital is periodically exposed to stress test exercises. Such tools allows to assess the Group's vulnerabilities to exceptional but plausible events, providing additional information with respect to monitoring activities.

### *Environmental, social and governance risks*

During the Risk Inventory process, the CRO Department arrange a specific focus on ESG and reputational risks. Since these are horizontal risks, the analysis focused on the impact assessment of environmental, social, reputational and governance risk factors across the traditional risk categories already managed and monitored by the Group. The assessment of ESG risks for the year 2023, consistently with the priorities highlighted by the Regulators, was carried out considering different time horizons (short and medium/long term), and focused on climate and environmental risks. For all the time horizons considered, the assessment did not show a high incidence of the latter on the Group's risk profile.

In general, FinecoBank's business model is not very exposed to climate and environmental risk factors. The results of the analysis confirmed that the risk categories which, albeit marginally, might be affected by climate and environmental risk factors are the credit risks deriving from loans to customers and the business risks arising from the offering of financial products not aligned with the customers' sustainability preferences.

As far as credit risks are concerned, the analysis carried out in the 2023 risk inventory recognizes that mortgage loans originated to retail customers might be already affected in the short term through the reduction in the value of the real estate collateral, mainly due to acute physical risk factors (e.g. floods or landslides). The trend could also get worse in the long term as global warming speed up, through a greater frequency and intensity of acute physical risk events, with a more evident manifestation of chronic physical risks (e.g. sea level rise) and with a greater probability of rising transition risk factors, such as the imposition of a minimum energy class requirement for the sale of real estate properties.

In order to mitigate the exposures to ESG risks, as part of credit risk second level controls, a series of monitoring activities have been implemented, aimed at safeguarding the most vulnerable areas. For example, a specific indicator of environmental risk (ND-Gain) has been included in the context of country risk monitoring. Climate and environmental risk factors were also considered in the model for estimating the Loss Given Default (LGD) of mortgage loans under ECL IFRS 9 and within the concentration controls concerning the real estate collateral underlying mortgage loans in areas with a high climate and environmental impact (included in the RAF as early as 2020).

Unlike credit risks, business risks are more concentrated in the short term. In particular, the performance of investment products classifiable as non-sustainable pursuant to the EU taxonomy regulation, offered by the Legal Entity Fineco Asset Management, could be affected by certain transition risks factors, such as for example the change in customer preferences, which could produce a customer flight towards more sustainable products offered by other asset managers. The risk factor should decrease in the medium/long term as FAM refine its sustainable products offering. In the RAF for the year 2023, a new indicator was introduced aimed at measuring the percentage of ESG Funds offered by the Legal Entity Fineco Asset Management out of the total Fund offering.

Eventually, it should be noted that, in the context of the 2022 ICAAP, Fineco carried out both a quantitative climate stress test and a qualitative reverse stress test. The first focused on three uncorrelated risk factors considered relevant to Fineco's business model:

- change of preference of clients from Fineco AM funds classified as "non-ESG" (art. 6 SFDR) to third party funds classified as "ESG" (art. 7 and 8 SFDR). The objective of the scenario, which may be classified as a transition risk, is to estimate the impact of the change of preference on the commission profile and internal capital relating to the Group's business risk;
- reduction in the value of real estate collateral securing mortgages located in areas with high climatic and environmental risk (physical risk). The reduction in value would determine an increase in LGD and a consequent increase in credit provisioning and greater internal capital to cover credit risks;
- downgrade of the countries mostly exposed to climate and environmental risks. In the ICAAP 2022 stress test, in line with the exposures held by the Group, the counterparties considered were China, United Arab Emirates and Latvia. The downgrade determines a higher PD of the aforementioned sovereing counterparties, and consequently greater credit provisions and credit risk internal capital.

# Part E - Information on Risks and relating hedging policies

The reverse stress test, on the other hand, assumed the flooding of both FinecoBank Data Processing Centers (CEDs) for an extended period of time following an extreme flood event. The outcomes of both the stress tests confirm the limited impacts of climate and environmental risk factors on the Group's business model.

In addition to this, as part of the Environmental Management System certified in accordance with EMAS Regulation No. 1221/2009/EC, during the first half of 2023, the assessment of environmental aspects and risks was updated as part of the Environmental Review, a tool that makes it possible to map stakeholders' needs and expectations in the environmental sphere, detect their respective risks for FinecoBank, as well as classify the risks generated and suffered by the organisation related to the most significant environmental aspects on the basis of company activities. Specifically, the assessments of the significance of direct and indirect environmental aspects were confirmed, with the exception of that related to employee mobility, which was re-evaluated as "not significant”.

For further information on environmental, social and governance risks the Group is exposed to, reference is made to the 2022 Non-Financial Statement.

## Section 3 – Insurance companies risk

No information to report.

## Section 4 – Other companies' risk

No information to report.

# Part F - Consolidated shareholders' equity

## Section 1 - Consolidated Shareholders' equity

### A. Qualitative information

Group capital management is aimed at ensuring that prudential ratios are consistent with the risk profile assumed and comply with regulatory requirements.

The monitoring of capital adequacy is ensured by the capital management activity where the size and optimal combination among the various capitalization instruments are defined, in compliance with regulatory constraints and in line with the risk profile assumed by the Group.

The Group assigns a priority role to the activities aimed at the management and allocation of capital according to the risks assumed, for the purpose of developing its operations with a view to creating value. The activities are articulated in the different phases of the planning and control process and, in particular, in the plan and budget processes and in the monitoring processes. In the dynamic management of capital, therefore, the Parent Company draws up the capital plan and monitors the regulatory capital requirements, anticipating the necessary actions to achieve the objectives.

Capital and its allocation are therefore extremely important in defining long-term strategies, since, on the one hand, it represents the shareholders' investment in the Group, which must be adequately remunerated, and, on the other hand, it is a scarce resource on which there are exogenous limits, defined by supervisory regulations. In this regard, it should be noted that, at the end of the Supervisory Review and Evaluation Process (SREP), on December 14th, 2022 the European Central Bank communicated the capital requirements applicable to the FinecoBank Group as of January 1st,2023:

- 8.04% in terms of Common Equity Tier 1 ratio, which includes the Pillar 2 Requirement (P2R), set at 0.98%;
- 9.87% in terms of Tier 1 Ratio, which includes a P2R, set at 1.31%;
- 12.31% in terms of Total Capital Ratio, which includes a P2R, set at 1.75%.

With regard to the leverage ratio, on the other hand, the minimum requirement is 3%.

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[22], issued for a total of €200 million and entirely subscribed by UniCredit S.p.A. The coupon for the first 5.5 years has been fixed at 4.82%. Starting from 3 June 2023 and for the next five years, the coupon was set at 7.363%;
- Additional Tier 1 issued on 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%.

[22] Unrated and unlisted

# Part F - Consolidated shareholders' equity

## B. Quantitative information

### B.1 Consolidated Shareholders' Equity: breakdown by type of company

(Amounts in € thousand)

| Equity items | Prudential consolidation | Insurance companies | Other companies | Consolidation adjustments and eliminations | Total |
|---|---|---|---|---|---|
| 1. Capital | 201,508 | - | - | - | 201,508 |
| 2. Emission Fees | 1,934 | - | - | - | 1,934 |
| 3. Reserves | 899,315 | - | - | - | 899,315 |
| 4. Capital Instruments | 500,000 | - | - | - | 500,000 |
| 5. (Own shares) | (1,243) | - | - | - | (1,243) |
| 6. Valuation reserves: | 1,063 | - | - | - | 1,063 |
| - Financial assets (different from capital securities) measured at fair value with an impact on overall profitability | (3,457) | - | - | - | (3,457) |
| - Actuarial gains (losses) on defined benefit plans | 4,552 | - | - | - | 4,552 |
| - Provisions for valuation reserves related to equity investments valued at shareholders' equity | (32) | - | - | - | (32) |
| 7. Profit (Loss) of Exercise (+/-) of Group and Third Parties | 308,880 | - | - | - | 308,880 |
| **Total** | **1,911,457** | **-** | **-** | **-** | **1,911,457** |

### 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 | - | (3,457) | - | - | - | - | - | - | - | (3,457) |
| 2. Equity securities | - | - | - | - | - | - | - | - | - | - |
| 3. Loans | - | - | - | - | - | - | - | - | - | - |
| **Total 06/30/2023** | **-** | **(3,457)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(3,457)** |
| **Total 12/31/2022** | **-** | **(3,898)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(3,898)** |

# Part F - Consolidated shareholders' equity

### B.3 Revaluation reserves for financial assets at fair value through comprehensive income: annual changes

(Amounts in € thousand)

| | Debt securities | Equity securities | Loans |
|---|---|---|---|
| **1. Opening balance** | **(3,898)** | **-** | **-** |
| **2. Increases** | **441** | **-** | **-** |
| 2.1 Fair value increases | 441 | - | - |
| 2.2 Adjustments for credit risk | - | X | - |
| 2.3 Reclassification through profit or loss of realised negative reserves | - | X | - |
| 2.4 Transfer from other shareholder's equity item (equity securities) | - | - | - |
| 2.5 Other changes | - | - | - |
| **3. Decreases** | **-** | **-** | **-** |
| 3.1 Fair value reductions | - | - | - |
| 3.2 Recoveries for credit risk | - | - | - |
| 3.3 Reclassification through profit or loss of realised positive reserves | - | X | - |
| 3.4 Transfer to other shareholder's equity item (equity securities) | - | - | - |
| 3.5 Other changes | - | - | - |
| **4. Closing balance** | **(3,457)** | **-** | **-** |

### B.4 Revaluation reserves on defined benefit obligations: annual changes

(Amounts in € thousand)

| | Actuarial gains (losses) on defined benefits plans |
|---|---|
| **1. Opening balance** | **6,020** |
| **2. Increases** | **-** |
| 2.1 Fair value increases | - |
| 2.2 Other changes | - |
| **3. Decreases** | **(1,468)** |
| 3.1 Fair value reductions | **(1,468)** |
| 3.2 Other changes | **-** |
| **4. Closing balance** | **4,552** |

## Section 2 - Own funds and banking regulatory ratios

Please refer to the information on own funds and the capital adequacy contained in the document "FinecoBank Group public disclosure – Pillar III as of 30 June 2023", published on the Company's website (https://about.finecobank.com), as required by Regulation (EU) 575/2013 subsequently Regulations modifying its content, including in particular, the Regulation (EU) 876/2019 (so called CRR II) of the European Parliament and of the Council and Regulation (EU) 2020/873 of the European Parliament and of the Council (so-called CRR Quick-fix).

# Part 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. In addition, it should be noted that as of the financial year 2022, this category also includes key management personnel (by which is meant, members of the management and control bodies, the latter where present) of Fineco AM, the only Group company in addition to the Parent Company FinecoBank.

(Amounts in € thousand)

| Items/sectors | Total 06/30/2023 | Total 06/30/2022 |
|---|---|---|
| Remuneration paid to "Key Management Personnel", Directors and the Board of Statutory Auditors | | |
| a) short-term benefits | 4,392 | 4,451 |
| b) post-employment benefits | 216 | 261 |
| *of which under defined benefit plans* | - | - |
| *of which under defined contribution plans* | *216* | *261* |
| c) other long-term employee benefits | 238 | 428 |
| d) termination benefits | - | - |
| e) share-based payments | 1,348 | 1,554 |
| **Total** | **6,194** | **6,694** |

## 2. Related-party transactions

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

The aforementioned Global Policy includes the provisions to be complied with when managing:

- related parties transactions pursuant to the Consob Regulation adopted by resolution on March 12, 2010, no. 17221 as amended and updated from time to time (most recently by Consob Resolution No. 21624 of 10 December 2020);
- transactions with associated persons pursuant to the regulations on "*Risk activities and conflicts of interest with Associated Persons*", laid down by Chapter 11 of Bank of Italy Circular No. 285 of 17 December 2013 (setting out the "Supervisory Provisions for Banks"), as supplemented following Update No. 33 of 23 June 2020;
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 on September 1, 1993, showing the "*Consolidated Law on Banking*";
- transactions with other relevant persons in potential conflict of interest as defined by the Bank on a self-regulatory basis, taking into account the applicable legal and regulatory provisions:
- loans granted to Directors (i.e. members of the administrative, management and control bodies) and their related parties, pursuant to art. 88 of the CRD.

Considering the above, during first half 2023, intercompany transactions and transactions with other Italian and foreign related parties, smaller transactions, were conducted within the ordinary course of the Group's business and related financial activities, and were carried out under standard conditions or conditions similar to those applied to transactions with unrelated third parties; in the same period, no other transactions were undertaken with related parties that could significantly affect the Bank's and the FinecoBank Group's asset situation and results, or atypical and/or unusual transactions, including intercompany and related party transactions.

# Part H - Related-party transactions

The following statement shows the outstanding assets, liabilities, guarantees and commitments as at June 30, 2023, for each group of related parties pursuant to IAS 24:

(Amounts in € thousand)

| | Amounts as at 06/30/2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Non consolidated subsidiaries | Associates | Directors, board of statutory auditors and key management personnel | Other related parties | Total | % of carrying amount | Shareholders | % of carrying amount |
| Financial assets at fair value through profit and loss a) financial assets held for trading | - | - | - | - | - | 0.00% | 74 | 0.44% |
| Financial assets at amortised cost b) loans and receivable to customers | 94 | - | 1,116 | 520 | 1,730 | 0.01% | 4,659 | 0.02% |
| Other assets | - | 28 | - | - | 28 | 0.00% | - | 0.00% |
| **Total assets** | **94** | **28** | **1,116** | **520** | **1,758** | **0.01%** | **4,733** | **0.01%** |
| Financial liabilities at amortised cost b) deposits from customers | - | - | 2,598 | 3,090 | 5,688 | 0.02% | 1,525 | 0.01% |
| Provisions for risks and charges: a) commitments and guarantees given | 1 | - | - | - | 1 | 0.78% | - | 0.00% |
| Other liabilities | - | 126 | 218 | - | 344 | 0.08% | - | 0.00% |
| **Total liabilities** | **1** | **126** | **2,816** | **3,090** | **6,033** | **0.02%** | **1,525** | **0.01%** |
| **Commitments and financial guarantees given** | **105** | **-** | **687** | **7** | **799** | **1.55%** | **1** | **0.00%** |

t should be noted that the table above does not include the balance sheet value of the equity investments held in associated companies recognised in the balance sheet item 70 Equity investments.

With regard to the above transactions, broken down by type of related party, details of the impact on the main items of the consolidated income statement are also proposed consolidated income statement:

(Amounts in € thousand)

| | Income Statement 1st half 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Non consolidated subsidiaries | Associates | Directors, board of statutory auditors and key management personnel | Other related parties | Total | % of carrying amount | Shareholders | % of carrying amount |
| Interest income and similar revenues | 1 | - | 6 | 8 | 15 | 0.00% | - | 0.00% |
| Interest expenses and similar charges | - | - | (1) | (1) | (2) | 0.00% | - | 0.00% |
| Fee and commission income | - | - | 3 | 6 | 9 | 0.00% | 8,991 | 1.92% |
| Fee and commission expenses | - | (296) | - | - | (296) | 0.13% | (2,972) | 1.33% |
| Gains (losses) on financial assets and liabilities held for trading | - | - | - | 2 | 2 | 0.01% | - | 0.00% |
| Impairment losses/writebacks | (1) | - | 1 | - | - | 0.00% | 3 | -0.12% |
| Other net operating income | - | - | 37 | 6 | 43 | 0.06% | - | 0.00% |
| **Total income statement** | **-** | **(296)** | **46** | **21** | **(229)** | | **6,022** | |

It should be noted that a legal subject, falling under the category of "Shareholders" as at June 30, 2023, appears to have been one of the first borrowers of a portion of the senior preferred bond issued by FinecoBank during 2021 (the Shareholder was not such at the date of placement) and the senior preferred bond instrument issued by FinecoBank in the first half of 2023, but nothing has been reported in the tables above as the instrument is a listed public placement and no information is available on the holders of the security at the balance sheet date.

The "Associates" category includes transactions with Vorvel Sim S.p.A., a company under significant influence, in which FinecoBank holds a 20% stake for a balance sheet amount of €1,681 thousand. The above transactions originate from the agreement entered by the Bank with Vorvel Sim

# Part H - Related-party transactions

S.p.A. for the trading, on the Hi-Cert segment, of certificates issued by Fineco. With reference to the transactions with Vorvel SIM S.p.A., it should be noted that the above table does not include the valuation at equity of the Company, which resulted in the recognition of a write-down of € 6 thousand in first half 2023 income statement.

With regard to the category "Directors, Board of Statutory Auditors and Key Management Personnel", in application of the special regulations laid down in Article 136 of Legislative Decree 385/93 (Consolidated Law on Banking), the obligations established for persons that perform administrative, management and control functions pursuant to those regulations were unanimously approved by a resolution of the Board of Directors with the favourable vote of all members of the Board of Statutory Auditors, in accordance with Article 136 of said Consolidated Law on Banking.

The category "Directors, Board of Statutory Auditors and Key Management Personnel" includes the Directors, Board of Statutory Auditors and Key Management Personnel of the Parent Company dealings (excluding their remuneration, which are discussed in point 1. *Details of compensation for key management personnel*), Key Management Personnel of the Subsidiary Fineco AM (meaning the members of the administrative and supervisory bodies, where present, with the exclusion of the relevant remuneration referred to in point 1 above) and dealings with the Head of Internal Audit of FinecoBank, mainly concerning assets for credit card use, mortgages and liabilities for funds held by them with the Bank. The income statement for the first half 2023 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Other related parties" category, if any, includes:

- close family members of key management personnel (i.e., relatives who could be expected to influence, or be influenced by the party involved);
- companies controlled (or jointly controlled) by, or associated with, "key management personnel" or their close family members.

Transactions with "Other related parties" mainly refer to assets for granting of mortgages, credit facilities and credit card use, and liabilities for funds held with the Bank. The income statement for the first half 2023 refers to the costs and revenues generated from the aforesaid assets and liabilities.

The "Shareholders" category includes the shareholders and their subsidiaries holding which at June 30, 2023 held an investment in FinecoBank higher than 3% of the share capital represented by shares with voting rights. The balance sheet amounts include for current receivables and debts associated with the provision of financial services referring to the commissions to be cashed for the placement and management of asset management products. The income statement includes the same fees and commissions accrued for the first half 2023.

# 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 AM 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 AM carries out asset management activities in Ireland, towards the Italian retail customers and towards institutional customers, mainly resident in Luxembourg and in Ireland.

Information concerning the degree of dependency on main customers is therefore considered by top management as not relevant and is not therefore disclosed.

# Part M – Leasing

## Section 1 - Lessee

### Qualitative information

The leasing contracts that fall within the scope of application of the standard IFRS 16 are represented by the lease contracts of the properties used by the Group and by the financial shops used by financial advisors and managed directly by the Bank, in addition to lease contracts for machinery and cars.

The Group is potentially exposed to outgoing financial flows, for variable payments due for leasing (in particular referring to the ISTAT revaluation), not included in the initial valuation of the lease liability.

The Group has determined the duration of the lease, for each individual contract, considering the "non-cancellable" period during which it has the right to use the underlying asset and taking into account all the contractual aspects that can change this duration, including, in particular, the possible presence of:

- periods covered by a right of resolution (with related penalties) or an option to extend the lease to the lessee, the lessor alone, or to both, even at different periods over the duration of the contract;
- periods covered by an option to purchase the underlying asset.

In general, with regard to contracts that provide the option right for the Bank or the subsidiary to automatically renew the lease at the end of an initial contractual period, the duration of lease has determined based on historical experience (in particular for the Bank) and the information available at the date, considering in addition to the non-cancellable period also the period subject to the extension option (first contract renewal period), except for the existence of business plans to dispose of the leased asset as well as clear and documented assessments by the competent Group structures that lead to consider reasonable the failure to exercise the option to renew or exercise the termination option, also taking into account, with particular regard to the financial shops in use by the financial advisors of the Bank, the commercial strategies of recruitment and territorial organization of the network.

The Group has not provided guarantees on the residual value of the leased asset and has no commitments for the stipulation of lease contracts not included in the value of the lease liability recognized in the financial statements.

In accordance with the rules set by the standard, which grants exemptions in this regard, contracts underlying the so-called "Low-value assets" (for which the threshold was set at € 5 thousand) mainly consisting of mobile phone rental contracts, all leasing contracts with a contractual duration of 12 months or less (so-called "short term lease") it was decided not to apply the principle to the leasing of intangible assets (mainly represented by software leasing). For these contracts, the related fees are recognized in the income statement on accrual basis for the corresponding duration.

### Quantitative information

With regard to the information on the rights of use acquired with the lease, please refer to Part B - Assets - Section 9 - Tangible assets - Item 90 of these notes to the consolidated accounts.

With regard to the information on the lease liabilities, please refer to Part B - Liabilities - Section 1 - Financial liabilities at amortized cost - Item 10 of these notes to the consolidated accounts.

Furthermore, with regard to the information on:

- interest expenses on leasing liabilities, please refer to Part C - Section 1 - Item 20;
- the other charges connected with the rights of use acquired with the lease, please refer to Part C - Section 14 - Net impairments / write-backs on property, plant and equipment - Item 210.

It should be noted that no gains and losses deriving from sale and leaseback transactions have been recorded, as well as income deriving from sub-lease transactions.

# Part M – Leasing

The depreciation recognized for the year for right-of-use assets by class of underlying asset is shown below:

(Amounts in € thousand)

| Assets | Depreciation 1st half 2023 | Depreciation 1st half 2022 |
|---|---|---|
| **Right of use** | **-** | **-** |
| **1. Property, plant and equipment** | **(5,769)** | **(5,506)** |
| 1.1 land | - | - |
| 1.2 buildings | (5,564) | (5,408) |
| 1.3 office furniture and fittings | - | - |
| 1.4 electronic systems | - | - |
| 1.5 other | (115) | (98) |

## 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 recognised leasing loans. As regards the activities granted under operating leasing, as previously described, the Group has leasing transactions in place as lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11.

The payments due for the operating lease have been recognized, on an accrual basis, in the consolidated income statement as income. For more details, please refer to that illustrated in Part C - Section 16 - Other operating expenses and income - Item 230 of these notes to the accounts.

### 2. Financial lease

### 2.1 Classification by time bands of the payments to be received and reconciliation with the loans for leasing entered in the assets

No data to report.

### 2.2 Other information

No data to report.

# Part M – Leasing

## 3. Operating lease

### 3.1 Classification by time bands of the payments to be received

A maturity analysis of the undiscounted lease payments to be received is shown below. It should be noted that the payments refer to the contractual rents provided for in the lease contracts of part of the property owned by FinecoBank, which allow tenants to withdraw early in compliance with the notice provided in the contract.

(Amounts in € thousand)

| Maturity ranges | Total 06/30/2023 Lease payments receivables | Total 12/31/2022 Lease payments receivables |
|---|---|---|
| Up to one year | 815 | 753 |
| Over one year up to 2 years | 497 | 753 |
| Over 2 years up to 3 years | 134 | 167 |
| Over 3 years up to 4 years | - | 42 |
| Over 4 years up to 5 years | - | - |
| For over 5 years | - | - |
| **Total** | **1,446** | **1,715** |

### 3.2 Other information

As indicated above, the Group has leasing transactions in place as a lessor represented by leasing contracts for a part of the property owned by FinecoBank, located in Milan Piazza Durante, 11. For information on the methods with the which the Group manages the risk associated with the rights it retains on the underlying assets, please refer to the paragraph "Qualitative information" included in this section.

# Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

| ASSETS | Amounts as at 06/30/2023 | Amounts as at 12/31/2022 |
|---|---|---|
| Cash and cash balances = item 10 | 1,518,628 | 1,469,713 |
| Financial assets held for trading | 16,868 | 16,926 |
| *20. Financial assets at fair value through profit or loss a) financial assets held for trading* | *16,868* | *16,926* |
| Loans and receivables to banks | 415,627 | 426,696 |
| *40. Financial assets at amortised cost a) loans and receivables to banks* | *3,417,063* | *4,029,194* |
| *less: Financial assets at amortised cost a) loans and receivables to banks - Debt securities* | *(3,001,436)* | *(3,602,498)* |
| Loans and receivables to customers | 6,184,498 | 6,445,713 |
| *40. Financial assets at amortised cost b) loans and receivables to customers* | *25,760,693* | *27,443,107* |
| *less: Financial assets at amortised cost b) loans and receivables to customers - Debt securities* | *(19,576,195)* | *(20,997,394)* |
| Financial investments | 22,613,241 | 24,634,034 |
| *20. Financial assets at fair value through profit or loss c) other financial assets mandatorily at fair value* | *6,275* | *5,552* |
| *30. Financial asset at fair value through other comprehensive income* | *27,654* | *26,872* |
| *70. Equity investments* | *1,681* | *1,718* |
| *Financial assets at amortised cost a) loans and receivables to banks - Debt securities* | *3,001,436* | *3,602,498* |
| *Financial assets at amortised cost b) loans and receivables to customers - Debt securities* | *19,576,195* | *20,997,394* |
| Hedging instruments | 1,028,822 | 1,424,704 |
| *50. Hedging derivatives* | *1,272,917* | *1,691,642* |
| *60. Changes in fair value of portfolio hedged financial assets (+/-)* | *(244,095)* | *(266,938)* |
| Property, plant and equipment = item 90 | 143,799 | 146,208 |
| Goodwill = item 100. Intangible assets of which: goodwill | 89,602 | 89,602 |
| Other intangible assets = item 90 net of goodwill | 35,788 | 36,787 |
| Tax assets = item 110 | 46,100 | 46,577 |
| Non-current assets and disposal groups held for sale = item 120 | - | - |
| Tax credits acquired | 1,341,774 | 1,093,255 |
| Other assets | 381,175 | 438,670 |
| *130. Other assets* | *1,722,949* | *1,531,925* |
| *less: Tax credit acquired* | *(1,341,774)* | *(1,093,255)* |
| **Total assets** | **33,815,922** | **36,268,885** |

# Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

| LIABILITIES AND SHAREHOLDERS' EQUITY | Amounts as at | |
|---|---|---|
| | 06/30/2023 | 12/31/2022 |
| Deposits from banks | 1,299,539 | 1,677,235 |
| *10. Financial liabilities at amortised cost a) deposits from banks* | *1,299,539* | *1,677,235* |
| Deposits from customers | 29,187,761 | 31,695,647 |
| *10. Passività finanziarie valutate al costo ammortizzato c) titoli in circolazione* | *29,187,761* | *31,695,647* |
| Debt securities in issue | 803,054 | 497,926 |
| *10. Financial liabilities at amortised cost c) debt securities in issue* | *803,054* | *497,926* |
| Financial liabilities held for trading = item 20 | 8,538 | 4,574 |
| Financial liabilities at fair value = item 30 | - | - |
| Hedging instruments | (13,438) | (3,180) |
| *40. Hedging derivatives* | *60,882* | *63,752* |
| *50. Changes in fair value of portfolio hedged financial liabilities (+/-)* | *(74,320)* | *(66,932)* |
| Tax liabilities = item 60 | 65,017 | 42,627 |
| Liabilities included in disposal groups classified as held for sale = item 70 | - | - |
| Other liabilities | 553,994 | 443,659 |
| *80. Other liabilities* | *443,441* | *334,352* |
| *90. Provisions for employee severance pay* | *4,027* | *3,942* |
| *100. Provisions for risks and charges* | *106,526* | *105,365* |
| Shareholders' equity | 1,911,457 | 1,910,397 |
| - capital and reserves | 1,601,514 | 1,479,771 |
| *140. Equity instruments* | *500,000* | *500,000* |
| *150. Reserves* | *899,315* | *778,211* |
| *160. Share premium reserve* | *1,934* | *1,934* |
| *170. Share capital* | *201,508* | *201,340* |
| *180. Treasury shares (-)* | *(1,243)* | *(1,714)* |
| - revaluation reserves | 1,063 | 2,121 |
| *120. Revaluation reserves of which: financial assets at fair value through other comprehensive income* | *(3,457)* | *(3,898)* |
| *120. Revaluation reserves for actuarial net gains (losses) for defined benefit plans* | *4,552* | *6,020* |
| *120. Revaluation reserve of which: changes in valuation reserve pertaining to equity method investments* | *(32)* | *(1)* |
| - Net profit = item 200 | 308,880 | 428,505 |
| **Total liabilities and Shareholders' equity** | **33,815,922** | **36,268,885** |

# Reconciliation of condensed consolidated accounts to mandatory reporting schedule

(Amounts in € thousand)

| INCOME STATEMENT | 1st half 2023 | 1st half 2022 |
|---|---|---|
| Financial margin | 328,278 | 176,407 |
| of which Net interest | 328,196 | 126,961 |
| *30. Net interest margin* | *325,578* | *124,460* |
| *+ net commissions on Treasury securities lending* | *2,618* | *2,501* |
| of which Profits from Treasury | 82 | 49,446 |
| *+ gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)* | *82* | *49,137* |
| *+ gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income (unimpaired)* | *-* | *309* |
| Dividends and other income from equity investments | (6) | (148) |
| *70. Dividend income and similar revenue* | *151* | *157* |
| *less: dividends from held-for-trading equity instruments included in item 70* | *(128)* | *(138)* |
| *less: dividends from from equity investments and equities mandatorily at fair value equity instruments included in item 70* | *(23)* | *(19)* |
| *+ writebacks (write-downs) of investments accounted for using the equity method* | *(6)* | *(148)* |
| Net fee and commission income | 242,125 | 232,514 |
| *60. Net fee and commission income* | *244,743* | *235,015* |
| *+ other charges/income related to the application of the Fixed Operating Expenses (FOE) model* | *-* | *-* |
| *less: net commissions on Treasury securities lending* | *(2,618)* | *(2,501)* |
| Net trading, hedging and fair value income | 30,079 | 54,843 |
| *80. Gains (losses) on financial assets and liabilities held for trading* | *34,403* | *43,508* |
| *90. Fair value adjustments in hedge accounting* | *(5,104)* | *11,725* |
| *110. Gains (losses) on financial assets and liabilities at fair value through profit or loss* | *629* | *(547)* |
| *100. Gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income* | *-* | *309* |
| *less: gains (losses) on disposal or repurchase of: b) financial asset at fair value through other comprehensive income (unimpaired)* | *-* | *(309)* |
| *100. Gains (losses) on disposal or repurchase of: c) financial liabilites* | *-* | *-* |
| *+ dividends from held-for-trading equity instruments included in item 70* | 128 | 138 |
| *+ dividends from mandatorily at fair value equity instruments included in item 70* | *23* | *19* |
| Net other expenses/income | 216 | 416 |
| *230. Other net operating income* | *75,857* | *68,500* |
| *less: other net operating income - of which: recovery of expenses* | *(76,457)* | *(69,063)* |
| *less: adjustments of leasehold improvements* | *816* | *979* |
| *less: other charges/income related to the application of the Fixed Operating Expenses (FOE) model* | *-* | *-* |
| *100. Gains (losses) on disposal or repurchase of: a) financial assets at amortised cost (unimpaired)* | *82* | *49,137* |
| *less: gains (losses) on disposal or repurchase of: a) financial assets at amortised cost - debt securities (unimpaired)* | *(82)* | *(49,137)* |
| **REVENUES** | **600,692** | **464,032** |
| Staff expenses | (60,378) | (57,538) |
| *190. Administrative expenses - a) staff expenses* | *(60,378)* | *(57,538)* |
| Other administrative expenses | (147,357) | (134,364) |
| *190. Administrative expenses - b) other administrative expenses* | *(153,122)* | *(141,111)* |
| *less: contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)* | *6,581* | *7,726* |
| *+ adjustments of leasehold improvements* | *(816)* | *(979)* |
| Recovery of expenses | 76,457 | 69,063 |
| *230. Other net operating income- of which: recovery of expenses* | *76,457* | *69,063* |
| Impairment/write-backs on intangible and tangible assets | (13,237) | (13,191) |
| *210. Impairment/write-backs on property, plant and equipment* | *(10,152)* | *(9,806)* |
| *220. Impairment/write-backs on intangible assets* | *(3,085)* | *(3,385)* |
| **Operating costs** | **(144,515)** | **(136,030)** |
| **OPERATING PROFIT (LOSS)** | **456,177** | **328,002** |
| Net impairment losses on loans and provisions for guarantees and commitments | (2,079) | (1,225) |
| *130. Impairment losses/writebacks on: a) financial assets at amortised cost* | *(2,606)* | *(1,930)* |
| *less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities* | *581* | *754* |
| *130. Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income* | *-* | *(1)* |
| *less: impairment losses/writebacks on: a) financial assets at amortised cost - debt securities* | *-* | *1* |
| *140. Profit / loss from contract changes without cancellation* | *-* | *(1)* |
| *200. Net provisions for risks and charges a) provision for credit risk of commitments and financial guarantees given* | *(54)* | *(48)* |
| **NET OPERATING PROFIT (LOSS)** | **454,098** | **326,777** |
| Other charges and provisions | (12,006) | (12,498) |
| *200. Net provisions for risks and charges b) other net provision* | *(5,425)* | *(4,772)* |
| *Integration costs* | *-* | *-* |
| *+ contributions to the Single Resolution Fund (SRF) Deposit Guarantee Systems (DGS)* | *(6,581)* | *(7,726)* |
| Net income from investments | (581) | (754) |
| *+ Impairment losses/writebacks on: afinancial assets at amortised cost - debt securities* | *(581)* | *(754)* |
| *+ Impairment losses/writebacks on: b) financial assets at fair value through other comprehensive income - debt securities* | *-* | *(1)* |
| *250. Profit (loss) on equity investments* | *(6)* | *(148)* |
| *less: Profit (loss) on equity investments* | *6* | *148* |
| *280. Gains (losses) on disposal of investments* | *-* | *1* |
| Goodwill impairment | - | - |
| **PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | **441,511** | **313,525** |
| Income tax for the period = item 300 | (132,631) | (91,162) |
| **NET PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS** | **308,880** | **222,363** |
| Profit (Loss) after tax from discontinued operations | - | - |
| **PROFIT (LOSS) FOR THE PERIOD** | **308,880** | **222,363** |

# Certification of consolidated interim Financial Statements pursuant to article 81-ter of Consob regulation no. 11971 of May 14, 1999 and subsequent amendments

1. The undersigned, Alessandro Foti, as Managing Director and General Manager of FinecoBank S.p.A., and Lorena 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 2023.

2. The adequacy of the administrative and accounting procedures employed to draw up the consolidated financial statements for the year has been evaluated by applying a model defined, in accordance with the "Internal Control - Integrated Framework (CoSO)" and the "Control Objective for IT and Related Technologies (Cobit)", which are international commonly accepted standards for the internal control system and for financial reporting.

3. The undersigned also certify that:

3.1 The consolidated interim financial statements:

a) were prepared in compliance with applicable international accounting standards recognised by the European Community pursuant to European Parliament and Council Regulation 1606/2002 of July 19, 2002;
b) correspond to the results of the books and accounting records;
c) are suitable to provide a fair and correct representation of the financial position and performance of the issuer and the group of companies included in the scope of consolidation;

3.2. The Consolidated interim report on operations includes a reliable analysis of the most significant events in the first six months of the financial year and their impact on the Condensed interim consolidated financial statements, together with a description of the main risks and uncertainties concerning the remaining six months of the year. The Consolidated first half financial report also contains a reliable analysis of information on significant related party transactions.

Milan, August 1, 2023

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

FinecoBank S.p.A.
The Manager Responsible for Preparing
the Company's Financial Reports
Lorena Pelliciari

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

# Report on review of condensed interim consolidated financial statements

*To the shareholders of*
*FinecoBank S.p.A.*

## Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the FinecoBank Group, comprising the consolidated balance sheet as at 30 June 2023, the consolidated income statement and the consolidated statements of comprehensive income, statement of changes in consolidated shareholders' equity and consolidated cash flows statement for the six months then ended and notes to the accounts thereto. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

## Scope of the review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the FinecoBank Group as at and for the six months ended 30 June 2023 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 3 August 2023

KPMG S.p.A.

(signed on the original)

Roberto Spiller
Director of Audit

# Glossary

### ABS – Asset Backed Securities

Financial instruments whose performance and redemption are guaranteed by a portfolio of assets (collateral) of the issuer (usually a Special Purpose Vehicle - SPV), earmarked exclusively for the satisfaction of the rights embedded in the financial instruments.

### Additional Tier 1

Equity instruments in line with the provisions of Regulation (EU) No.575/2013 (CRR) on prudential requirements for credit institutions and investment firms, which have the following characteristics:

- full discretion of the issuer in coupon payments and redemptions, also advanced, of the principal outstanding;
- the instrument is perpetual or has a maturity equal to duration of the entity;
- it maintains within the full discretion of the issuer the possibility to perform a write-up of the nominal value after the occurrence of a capital event that has determined a write-down;
- no provisions that force the issuer to provide for payments (must-pay clauses) following genuine events under the direct control of the parties.

### Audit

Audit Process of controlling a company's activities and accounting, carried out either by an internal body (internal audit) or by an external firm of auditors (external audit).

### Bad exposure or Bad loans

Exposures to borrowers in a state of insolvency (even when not recognised in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether there are any – secured or personal – guarantees covering the exposures).

### Banking book

Used in relation to financial instruments, particularly securities, this term identifies the portion of those portfolios intended for "proprietary" activities other than those classified in the Trading book.

### Bail-in

Resolution measures adopted by the competent authorities that can involve the conversion of debt instruments into shares or the reduction in the value of liabilities, imposing losses on certain categories of creditors in accordance with the BRRD.

### Basel 2

International agreement on the capital requirements of banks in relation to the risks assumed by them. This agreement has been adopted, at national level, by the respective competent supervisory authorities, including the Bank of Italy. The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.

- Pillar 1: while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been defined for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorisation by the Regulatory Authority;
- Pillar 2: requires banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar I), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Supervisory Authority's task to examine the ICAAP process, formulate an overall judgement and, where necessary, apply the appropriate corrective measures;
- Pillar 3: introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

### Basel 3

International agreement amending Basel 2 adopted in December 2010, containing amendments to the prudential rules on the capital and liquidity of banks, with the gradual entry into force of the new capital requirements from January 1, 2014. 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 (Bank Recovery and Resolution Directive).

# Glossary

### 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

Derivative contract whereby one party (protection seller) undertakes, in return for the payment of an amount, to pay another party (protection buyer) a predetermined amount in the event of the occurrence of a predetermined event related to the deterioration of the creditworthiness of a third counterparty (reference entity).

### CFD

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 moment the contract is opened and the moment it is closed.

### CFO

Chief Financial Officer.

### CGU – Cash Generating Unit

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

### CIO

Chief Information Officer.

### Common Equity Tier 1 or CET 1

The Common Equity Tier 1 under Basel 3 mainly consists of ordinary paid-up capital, the related share premium, operating profit of the period, reserves and other regulatory adjustments, as provided for by the CRR regulation and the Supervisory Regulations.

### Clawback clause

Action of repayment of the bonus received when, after its disbursement, intentional or negligent conduct of the employee emerges that, if it had been known at the time of disbursement, would have been sufficient not to satisfy the assessment of compliance, or that disbursement has been made in breach of legal or regulatory provisions.

### CLO

Chief Lending Officer.

### Commercial loans

Loans and receivables from ordinary customers, i.e., loans granted to customers relating to drawdowns of overdraft facilities, credit cards, personal loans, mortgages and unsecured loans.

# Glossary

### Corporate

Customer segment consisting of medium to large businesses.

### 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

Guaranteed Bank Bonds which, in addition to the guarantee of the issuing bank, can also benefit from the guarantee of a portfolio of mortgages or other high quality loans sold, for this purpose, to a "SPV - Special Purpose Vehicle" (q.v.).

### Credit quality class

A Class, 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. CRD V is Directive (EU) 2019/878 of 20 May 2019 amending Directive 2013/36/EU

### Credit risk

The risk that an unexpected change in the credit rating of a counterparty, the value of the collateral they have provided, or of the amount used in the event of insolvency generates an unexpected change in the lending position of the Bank.

### Credit counterparty risk

The risk that the counterparty in a transaction in financial instruments may enter default before settling all the agreed cash flows.

### CRM - Credit Risk Mitigation

Credit Risk Mitigation is a set of techniques, ancillary contracts to the loan or other instruments (e.g. securities, guarantees), which reduces credit risk capital requirements.

### CRO

Chief Risk Officer.

### Default

A party's declared inability to honour its debts and/or the payment of the associated interest.

### EAD – Exposure At Default

Relating to the on-balance and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor's default. Only banks that meet the requirements for adopting the "IRB – Internal Rating Based" (q.v.). advanced approach are allowed to estimate EAD. Other banks are required to refer to regulatory estimations.

# Glossary

### EBA European Banking Authority

The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector.

### ECA

Export Credit Agency.

### ECAI

External Credit Assessment Institution.

### ECB

European Central Bank. The ECB is the central bank for Europe's single currency, the euro.

### Economic capital

Capital level that is required by a bank to cover the losses that may occur with at a time horizon of one year and a certain probability or confidence level. Economic Capital is a measure of the variability of the Expected Loss of the portfolio and depends on the degree of diversification of the portfolio itself.

### EPS – Earnings Per Shares

An indicator of a company's profitability calculated by dividing the net profit by the average total outstanding shares (excluding treasury shares).

### EPS – Diluted Earnings Per Shares

An indicator of a company's profitability calculated by dividing the net profit by the average total diluted outstanding shares (excluding treasury shares).

### Expected Losses

The losses recorded on average over a one year period on each exposure (or pool of exposures).

### Fair value

The price at which an asset can be traded or a liability settled in a free-market transaction between 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.

### Haircut

Difference between the value of the assets pledged as collateral and the amount of credit extended in a collateralised credit operation. In securities-backed transactions, it represents the percentage of the market price (or nominal value) of a financial asset pledged as collateral which is to be deducted from the market price (or nominal value) in order to determine the collateral value

# Glossary

### HNWI

High Net Worth Individual, i.e. Private customers with TFA of over € 1 million.

### 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 .

### 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 loans and receivables to which the status of bad loans, unlikely to pay and past due has been assigned, according to the Bank of Italy rules in line with the IAS/IFRS (q.v.).

### Internal Capital

Represents the amount of capital required to cover potential losses and is required to support the business activities and positions held. Internal Capital is the sum of the aggregated Economic Capital, obtained by aggregating the different types of risk, 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 option to buy or sell ceases to exist when the price of the underlying touches the predetermined Strike (also known as the "Barrier").

### Large exposures

The sum of all the exposures towards a counterparty that are equal to or more than 10% of the eligible capital of the Issuer, when: (i) the exposures are the sum of the on-balance-sheet risk assets and the off-balance-sheet operations with a counterparty, as defined by the regulations on credit risk, without applying the weighting factors established therein (these exposures do not include the risk assets deducted in the determination of the Own Funds); (ii) a counterparty is a customer or a group of connected customers.

### LCR - Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is structured in such a way as to ensure that an institution maintains an adequate level of high quality non-restricted liquid assets that can be converted into cash to meet its liquidity needs over a period of 30 calendar days in a particularly acute liquidity stress scenario specified by the supervisory authorities. The LCR is defined as the ratio between the stock of high quality liquid assets and the total cash outflows in the next 30 calendar days.

### Leasing

Contract whereby one party (the lessor) conveys the right to use an asset to another party (the lessee) for a given period of time and in exchange for consideration.

### LGD – Loss Given Default

Expected value (which may be conditional upon adverse scenarios) of the ratio, expressed as a percentage, between the loss giving rise to the default and the amount of exposure at the time of the default ("EAD - Exposure At Default", q.v.).

### LTV – Loan To Value

Loan To Value (LTV) is the ratio between the amount of the loan granted and the value of the real estate property, and is calculated on the entire property covered by the guarantee.

### Liquidity risk

The risk of the company being unable to meet its payment commitments due to the inability to liquidate assets or obtain sufficient funding from the market (funding liquidity risk) or due to the difficulty/inability to easily liquidate positions in financial assets without significantly and unfavourably affecting the price because of insufficient depth or temporary malfunction of the financial market (market liquidity risk).

### Long and Short Margining

Margining is a trading method that allows investors to buy (long leverage) or sell (short selling) by investing only a part of the liquidity required.

### Mark to market

Process of valuing a portfolio of securities or other financial instruments on the basis of prices expressed by the market.

### Market risk

Consists of the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the portfolio, when it includes assets held in the trading book, as well as those posted in the banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments.

# Glossary

### Maturity Ladder

Instrument for managing and monitoring short-term liquidity (operational liquidity), which, by offsetting assets and liabilities whose maturity falls within each individual time band, enables the identification of mismatches (periodic and cumulative) between incoming and outgoing cash flows and, therefore, to calculate the net financial requirement (or surplus) over the period of the year.

### Minimum Requirement for Eligible Liabilities (MREL)

The Minimum Requirement for Eligible Liabilities (MREL) is set by the Resolution Authorities to ensure that a bank maintains at all times sufficient tools to facilitate the implementation of the resolution strategy defined by the Resolution Authority in the event of a crisis. The MREL aims to prevent the resolution of a bank from being dependent on public financial support and, therefore, helps to ensure that shareholders and creditors contribute to loss absorption and recapitalisation.

### NAV - Net Asset Value

This is the value of the unit into which the assets of a mutual fund are divided

### Non-performing exposures

According to the EBA Implementing Technical Standards, non-performing exposures are all on-balance-sheet and off-balance-sheet exposures that satisfy either or both of the following criteria:

- the debtor is more than 90 days in arrears in the payment of a material obligation, where the conditions for setting the materiality threshold are defined in Regulation (EU) 2018/171;
- exposures for which the debtor is assessed by the Bank 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 exceeding the materiality thresholds defined in Delegated Regulation (EU) 2018/171.

### Payout ratio

The percentage of net income that is distributed to shareholders. The percentage paid out is determined mainly on the basis of the company's self-financing needs and the return expected by shareholders.

### PD – Probability of Default

Default Probability of a counterparty entering into a situation of "default" (q.v.) within a period of one year.

### Private banking

Financial services aimed at "high-end" private customers for the global management of financial needs.

### Rating

Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.

### Retail

Customer segment consisting principally of private individuals, self-employed professionals, traders and artisans.

### Risk Taking Capacity

Ratio between Available Financial Resources and Internal Capital.

### Risk-weighted assets

See the item “RWA - Risk-Weighted Assets”.

### RWA - Risk-Weighted Assets

It is the value of on-balance sheet and off-balance sheet risk-weighted assets on the basis of different weighting factors according to the class in which the exposure is classified and its credit quality, in accordance with the banking regulations issued by the regulatory authorities for the calculation of the solvency ratios.

### Sensitivity

The greater or lesser degree of sensitivity with which certain assets or liabilities react to changes in rates or other reference parameters.

### Sensitivity Analysis

Sensitivity analysis quantifies the change in value of a financial portfolio resulting from an unfavourable change in major risk factors (interest rate, exchange rate, equity).

### Significant increase in credit risk “SICR”

Criterion used to check Stage transition. If the credit risk of the financial instrument is significantly increased after initial recognition, the value adjustments are equal to the expected losses over the life of the instrument (lifetime ECL).

### SME

Small and medium enterprises.

### Spread

This term is normally used to denote the difference between two interest rates, the spread between bid and ask prices in securities trading, or the mark-up that the issuer of securities pays in addition to a reference rate.

# Glossary

**SPV –Special Purpose Vehicle**

An entity – partnership, limited company or trust – set up to pursue specific objectives, such as isolating financial risk or obtaining special regulatory or tax treatment for specific portfolios of financial assets. SPV's operations are accordingly limited by a set of rules designed for this purpose. In general the SPVs' sponsors (q.v.) do not hold equity in them. The equity is held by other entities in order to ensure that there is no shareholder relationship with the Sponsor (q.v.). SPVs are usually bankruptcy-remote, in that their assets cannot be claimed by the creditors of the sponsor, even if the latter becomes insolvent.

**Swap**

A transaction that generally consists of the exchange of financial streams between operators according to different contractual arrangements. In the case of an interest rate swap (IRS), the counterparties exchange payment streams that may or may not be linked to interest rates, calculated on a notional principal amount (for example, counterparty pays a stream on the basis of a fixed rate, while the other does so on the basis of a variable rate). In the case of a currency swap, the counterparties exchange specific amounts in two different currencies, with these amounts being exchanged back in due course according to predefined arrangements that may concern both the capital (notional) and the streams of interest payments.

**Targeted Longer-Term Refinancing Operations (TLTRO)**

Targeted Longer-Term Refinancing Operations (TLTRO) programmes offer credit institutions in the euro area financing with multi-year maturities aimed at improving the functioning of the monetary policy transmission mechanism by supporting the provision of bank credit to the real economy

**Tier 1 Capital**

Tier 1 capital (tier 1) includes Common Equity Tier 1 - CET1 and Tier 1 additional capital (Additional Tier 1 - AT1).

**Tier 1 Capital Ratio**

The percentage of a bank's Tier 1 Capital (q.v.).to its risk weighted assets "RWA – Risk Weighted Assets" (q.v.).

**Trading Book**

Positions held for trading are those held intentionally for a subsequent sale in the near term and/or assumed with the intention of benefiting, in the short term, from the differences between buying and selling prices, or other price or interest rate interest variations.

**UCI – Undertakings for Collective Investment**

This term includes "UCITS – Undertakings for Collective Investment in Transferable Securities" (q.v.) and collective investment funds (real estate collective investment funds, closed-end investment funds).

**UCITS – Undertakings for Collective Investment in Transferable Securities**

This term covers open-end real estate investment funds, both Italian and foreign, and investment companies with variable capital. The latter are joint stock companies that have the sole purpose of collective investment of the assets gathered through a public offer of their own shares.

**Unlikely to pay**

On-balance and off-balance sheet exposures that meet the definition of unlikely to pay, which do not meet the conditions to be classified as bad loans. The classification as "unlikely to pay" derives from the assessment of the debtor's unlikeliness (without actions such as realisation of collateral) to repay fully his credit obligation (principal and/or interest). This assessment is made independently of any past due and unpaid amount (or instalment). The classification of an exposure as unlikely to pay is not necessarily tied to evident issues (non-repayment), but is rather linked to indicators of a potential default of the borrower.

**VaR – Value at Risk**

A method used for quantifying risk. It measures potential future losses which will not be exceeded within a specified period and with a specified probability.

# Glossary

## Alternative Performance Measures ("APMs")

Alternative Performance Measures are used in the Consolidated Interim Report on Operations, the content and, where applicable, the calculation methods used of which are described below, with the exception of the APMs presented in the reclassified income statement and balance sheet contained in the Consolidated Interim Report on Operations, for which reference should be made to the reconciliation schedules with the consolidated and individual financial statements contained in the Annexes.

### Assets under management

Investment funds, segregated accounts and insurance products. For a numerical reconciliation, please refer to the tables in the section "Performance of total financial assets" presented in the Consolidated Interim Report on Operations.

### Assets Under Custody

Government securities, bonds and shares. For a numerical reconciliation, please refer to the tables in the section "Performance of total financial assets" presented in the Consolidated Interim Report on Operations.

### Bad loans/Loans receivable with ordinary customers

Ratio of Bad exposures (q.v.), as represented in the table "Impaired assets" to which reference should be made, to Loans receivable to ordinary customers, as represented in the table "Loans and Receivables to Customers (Management Reclassification)" presented in the Consolidated Interim Report on Operation to which reference should be made.

Consolidated

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Bad exposures (Amounts in €/000) | 1,455 | 1,405 |
| Loans receivable to ordinary customers (Amounts in €/000) | 5,745,024 | 5,916,090 |
| **Bad loans/Loans receivable to ordinary customers** | **0.03%** | **0.02%** |

Individual

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Bad exposures (Amounts in €/000) | 1,455 | 1,405 |
| Loans receivable to ordinary customers (Amounts in €/000) | 5,745,023 | 5,916,089 |
| **Bad loans/Loans receivable to ordinary customers** | **0.03%** | **0.02%** |

### Cost/income ratio

The ratio of operating costs to revenues, as presented in the condensed income statement to which reference should be made. It is one of the main key performance indicators of the bank's efficiency: the lower the ratio, the more efficient the bank.

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| Operating costs (Amounts in €/000) | 144,515 | 280,815 | 136,030 |
| Revenues (Amounts in €/000) | 600,692 | 947,606 | 464,032 |
| **Cost/Income Ratio** | **24.06%** | **29.63%** | **29.31%** |

# Glossary

### Cost of Risk

The ratio of Net impairment losses of loans to customers in the last 12 months to loans receivable to customers (average of the averages of the last four quarters, calculated as the average balance at the end of the quarter and the balance at the end of the previous quarter). The scope only includes loans to ordinary customers. It is one of the risk indicators of bank assets: the lower the ratio, the less risky the bank assets.

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| Net impairment losses of loans to ordinary customers (Amounts in €/000) | 3,097 | 2,485 | 885 |
| Loans receivable to ordinary customers (Amounts in €/thousand) (average of the averages of the last four quarters, calculated as the average balance at the end of the quarter and the balance at the end of the previous quarter) | 5,816,264 | 5,680,431 | 5,278,747 |
| **Cost of Risk (bps)** | **5** | **4** | **2** |

### CoR (incentive system)

The ratio of Net impairment losses of loans to customers in the last 12 months, including adjustments to available margins of credit lines granted, to loans and receivables to customers (average of the balance at period end and the balance at December 31 of the previous year). The scope only includes loans to ordinary customers.

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| Net impairment losses of loans to ordinary customers (Amounts in €/000) | 3,180 | 2,517 | 907 |
| Loans and receivables to ordinary customers (Amounts in €/thousand) (average of the balance at period end and the balance at December 31 of the previous year) | 5,821,786 | 5,658,581 | 5,568,565 |
| **CoR (incentive system) (bps)** | **5** | **4** | **2** |

### Coverage ratio

The Coverage ratio represents the percentage of a given aggregate of credit exposures covered by an impairment provision and is calculated as the ratio of the amount of the impairment provision to the gross exposure. For a numerical reconciliation of Coverage (Bad loans, Unlikely to pay, Past-due loans and Total impaired loans), please refer to the table "Impaired Assets" in the "Loans and receivable to Customers" section of the Consolidated Report on Operations.

### Direct deposits

Current accounts, repos and time deposits. For a numerical reconciliation, please refer to the tables in the section “Performance of total financial assets” presented in the Consolidated Interim Report on Operations.

### Direct deposits/Total liabilities and Shareholders' equity

Ratio of direct deposits (see item), as represented in the table "Total financial assets" to which reference should be made, to total liabilities and Shareholders' equity, as represented in the table of the condensed balance sheet to which reference should be made.

<u>Consolidated</u>

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Direct deposits (Amounts in €/000) | 28,510,165 | 30,569,876 |
| Total liabilities and Shareholders' equity (Amounts in €/000) | 33,815,922 | 36,268,885 |
| **Direct deposits/Total liabilities and Shareholders' equity** | **84.31%** | **84.29%** |

<u>Individual</u>

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Direct deposits (Amounts in €/000) | 28,510,165 | 30,569,876 |
| Total liabilities and Shareholders' equity (Amounts in €/000) | 33,733,449 | 36,208,289 |
| **Direct deposits/Total liabilities and Shareholders' equity** | **84.52%** | **84.43%** |

# Glossary

### EVA (Economic Value Added)

EVA is an indicator of the value created by a company. It shows the Company's ability to create value; calculated as the difference between net profit excluding extraordinary net income from investments with related tax effects, and the figurative cost of the allocated capital; the latter was calculated using either the greater of the regulatory capital and the economic capital absorbed either using the book value of shareholders' equity (average of single end quarters).

(Amounts in € thousand)

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| + Net profit | 308,880 | 428,505 | 222,363 |
| - extraordinary net income from investments with related tax effects | - | (366) | - |
| - figurative cost of the allocated capital (calculated using either the greater of the regulatory capital and the economic capital absorbed) | (36,907) | (60,799) | (30,324) |
| **EVA (calculated on allocated capital)** | **271,973** | **367,339** | **192,039** |

(Amounts in € thousand)

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| + Net profit | 308,880 | 428,505 | 222,363 |
| - extraordinary net income from investments with related tax effects | - | (366) | - |
| - figurative cost of the allocated capital: book value of shareholders' equity (average of single end quarters of the year) | (108,264) | (163,610) | (81,460) |
| **EVA (calculated on book value of shareholders' equity)** | **200,616** | **264,529** | **140,903** |

### Financial investments/Total assets

Ratio of Financial investments, as represented in the condensed balance sheet to which reference should be made, to Total Assets.

Consolidated

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Financial investments (Amounts in €/000) | 22,613,241 | 24,634,034 |
| Total assets (Amounts in €/000) | 33,815,922 | 36,268,885 |
| **Financial investments/Total assets** | **66.87%** | **67.92%** |

Individual

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Financial investments (Amounts in €/000) | 22,615,698 | 24,636,590 |
| Total assets (Amounts in €/000) | 33,733,449 | 36,208,289 |
| **Financial investments/Total assets** | **67.04%** | **68.04%** |

### Financial margin/Revenues

Ratio of the financial margin to revenues, as represented in the condensed income statement, to which reference should be made.

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| Financial margin (Amounts in €/000) | 328,278 | 392,200 | 176,407 |
| Revenues (Amounts in €/000) | 600,692 | 947,606 | 464,032 |
| **Financial margin/Revenues** | **54.65%** | **41.39%** | **38.00%** |

# Glossary

### Guided products & services

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

### Guided products & services/TFA

Ratio of Guided products & Services (q.v.) and TFA (q.v.), as represented in the table "Total financial assets" presented in the Consolidated Interim Report on Operation to which reference should be made.

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Guided products & services (Amounts in €/000) | 43,913,131 | 40,221,024 |
| TFA (Amounts in €/000) | 115,880,567 | 106,557,870 |
| **Guided products & services/ TFA** | **37.9%** | **37.7%** |

### Income from brokerage and other income

Income from brokerage and other income include the items Net fee and commission income, Net trading, hedging and fair value income and Net other expenses/income, as represented in the condensed income statement to which reference should be made.

(Amounts in €/000)

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| Net fee and commission income | 242,125 | 465,627 | 232,514 |
| Net trading, hedging and fair value income | 30,079 | 89,899 | 54,843 |
| Net other expenses/income | 216 | 156 | 416 |
| **Income from brokerage and other income** | **272,420** | **555,682** | **287,773** |

### Income from brokerage and other income/Operating costs

Ratio of the Income from brokerage and other income (q.v.) and Operating costs, as represented in the condensed income statement to which reference should be made.

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| Income from brokerage and other income (Amounts in €/000) | 272,420 | 555,682 | 287,773 |
| Operating costs (Amounts in €/000) | 144,515 | 280,815 | 136,030 |
| **Income from brokerage and other income/Operating costs** | **188.51%** | **197.88%** | **211.55%** |

# Glossary

### Income from brokerage and other income/Revenues

Ratio of the Income from brokerage and other income (q.v.) and Revenues, as represented in the condensed income statement to which reference should be made.

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| Income from brokerage and other income (Amounts in €/000) | 272,420 | 555,682 | 287,773 |
| Revenues (Amounts in €/000) | 600,692 | 947,606 | 464,032 |
| **Income from brokerage and other income/Revenues** | **45.35%** | **58.64%** | **62.00%** |

### Loans receivable to banks/Total assets

Ratio of the Loans receivable to banks, as represented in the table “Loans and Receivables to banks" presented in the Consolidated Interim Report on Operation to which reference should be made, to the total assets.

Consolidated

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Loans and receivables to banks (Amounts in €/000) | 415,627 | 426,696 |
| Total assets (Amounts in €/000) | 33,815,922 | 36,268,885 |
| **Loans and receivables to banks/Total assets** | **1.23%** | **1.18%** |

Individual

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Loans and receivables to banks (Amounts in €/000) | 385,640 | 416,733 |
| Total assets (Amounts in €/000) | 33,733,449 | 36,208,289 |
| **Loans and receivables to banks/Total assets** | **1.14%** | **1.15%** |

### Loans receivable to ordinary customers

Loans receivable to ordinary customers include solely to loans granted to customers (current account overdrafts, credit cards, personal loans, mortgages and unsecured loans). For a numerical reconciliation, please refer to the table in in the section “Performance of total financial assets” presented in the Consolidated Interim Report on Operation.

# Glossary

### Loans receivable to ordinary customers/Total assets

Ratio of the Loans receivable to ordinary customers (q.v.), as represented in the table "Loans and Receivables to Customers (Management Reclassification)" presented in the Consolidated Interim Report on Operation to which reference should be made, to the total assets.

Consolidated

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Loans receivable to ordinary customers (Amounts in €/000) | 5,745,024 | 5,916,090 |
| Total assets (Amounts in €/000) | 33,815,922 | 36,268,885 |
| **Loans receivable to ordinary customers/Total assets** | **16.99%** | **16.31%** |

Individual

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Loans receivable to ordinary customers (Amounts in €/000) | 5,745,023 | 5,916,089 |
| Total assets (Amounts in €/000) | 33,733,449 | 36,208,289 |
| **Loans receivable to ordinary customers/Total assets** | **17.03%** | **16.34%** |

### Loans receivable to ordinary customers/Total financial assets

Ratio of the Loans receivable to ordinary customers (q.v.), as represented in the table "Loans and Receivables to Customers (Management Reclassification)" presented in the Consolidated Report on Operation to which reference should be made, to Total Financial Assets (TFA, see item). The TFA used for the ratio is the average for the year, calculated as the average between the balance as at December 31, 2022 and the balance as at the previous December 31.

Consolidated

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Loans receivable to ordinary customers (Amounts in €/000) | 5,745,024 | 5,916,090 |
| Direct deposits (Amounts in €/000) | 28,510,165 | 30,569,876 |
| **Loans receivable to ordinary customers/Direct deposits** | **20.15%** | **19.35%** |

Individual

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Loans receivable to ordinary customers (Amounts in €/000) | 5,745,023 | 5,916,089 |
| Direct deposits (Amounts in €/000) | 28,510,165 | 30,569,876 |
| **Loans receivable to ordinary customers/Direct deposits** | **20.15%** | **19.35%** |

# Glossary

### Non-performing loans/Loans receivable to ordinary customers

Ratio of the Impaired loans (q.v.), as represented in the table “Impaired assets” to which reference should be made, to Loans receivable to ordinary customers, as represented in the table “Loans and Receivables to Customers (Management Reclassification)" presented in the Consolidated Interim Report on Operation to which reference should be made.

Consolidated

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Impaired loans (Amounts in €/000) | 5,310 | 3,527 |
| Loans receivable to ordinary customers (Amounts in €/000) | 5,745,024 | 5,916,090 |
| **Impaired loans/Loans receivable to ordinary customers** | **0.09%** | **0.06%** |

Individual

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Impaired loans (Amounts in €/000) | 5,310 | 3,527 |
| Loans receivable to ordinary customers (Amounts in €/000) | 5,745,023 | 5,916,089 |
| **Impaired loans/Loans receivable to ordinary customers** | **0.09%** | **0.06%** |

### Operating costs/FTA

Ratio of operating costs, annualised for data as at June 30, as presented in the condensed income statement to which reference should be made, to Total Financial Assets (TFA, see item), as presented in the table “Total financial assets” in Consolidated interim report on operation to which reference should be made. It is one of the main ratios of the Bank's management efficiency: the lower the value expressed by this ratio, the greater the bank's efficiency.

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| Annualised operating costs (Amounts in €/000) | 289,030 | 280,815 | 272,060 |
| TFA average (Amounts in €/000) | 111,219,219 | 106,557,870 | 105,359,835 |
| **Operating Costs/TFA** | **0.26%** | **0.26%** | **0.26%** |

# Glossary

### RARORAC - Risk adjusted Return on Risk adjusted Capital

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

(Amounts in € thousand)

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| EVA (calculated on allocated capital) (Amounts in €/000) | 543,945 | 367,340 | 384,079 |
| Allocated capital: the greater of the regulatory capital and the economic capital absorbed (Amounts in €/000) | 676,579 | 666,660 | 664,990 |
| **RARORAC (calculated on allocated capital)** | **80.40%** | **55.10%** | **57.76%** |

(Amounts in € thousand)

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| EVA (calculated on accounting capital) (Amounts in €/000) | 401,232 | 264,529 | 281,808 |
| Shareholders' equity (average of single end quarters) (Amounts in €/000) | 1,984,671 | 253,488 | 252,416 |
| **RARORAC (calculated on shareholders' equity)** | **20.22%** | **14.75%** | **15.78%** |

### ROA - Return on Assets

Ratio of net profit after tax, as represented in the condensed income statement to which reference should be made, to total assets, as represented in the condensed balance sheet to which reference should be made.

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| Net profit (*) (Amounts in €/000) | 617,760 | 428,505 | 444,726 |
| Total assets (Amounts in €/000) | 33,815,922 | 36,268,885 | 36,077,715 |
| **ROA - Return on Assets** | **1.83%** | **1.18%** | **1.23%** |

(*) With regard to the calculation of the above ratio, the half-year net profit has been annualised.

### ROAC – Return On Risk 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).

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| Net operating profit (Amounts in €/000) | 308,880 | 428,505 | 444,726 |
| Allocated capital: the greater of the regulatory capital and the economic capital absorbed (Amounts in €/000) | 676,579 | 666,660 | 664,990 |
| **ROAC (calculated on allocated capital)** | **91.31%** | **64.28%** | **66.88%** |

| Items | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| Net operating profit (Amounts in €/000) | 617,760 | 428,505 | 444,726 |
| Shareholders' equity (average of single end quarters) (Amounts in €/000) | 1,984,671 | 253,488 | 252,416 |
| **ROAC (calculated on shareholders' equity)** | **31.13%** | **23.89%** | **24.90%** |

# Glossary

### ROE – Return on Equity

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.

| | 06/30/2023 | 12/31/2022 | 06/30/2022 |
|---|---|---|---|
| Net profit (*) (Amounts in €/000) | 617,760 | 428,505 | 444,726 |
| Shareholders' equity (average) (Amounts in €/000) | 1,909,335 | 1,820,475 | 1,721,064 |
| **Return Of Equity (ROE)** | **32.35%** | **23.54%** | **25.84%** |

(*) With regard to the calculation of the above ratio, the half-year net profit has been annualised.

### Shareholders' equity (net profit included)/Total liabilities and Shareholders' equity

Ratio of Shareholders' equity (net profit included) and Total liabilities and Shareholders' equity, as represented in the condensed balance sheet, to which reference should be made.

Consolidated

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Shareholders' equity (net profit included) (Amounts in €/000) | 1,911,457 | 1,910,397 |
| Total liabilities and Shareholders' equity (Amounts in €/000) | 33,815,922 | 36,268,885 |
| **Shareholders' equity (net profit included)/Total liabilities and Shareholders' equity** | **5.65%** | **5.27%** |

Individual

| Items | 06/30/2023 | 12/31/2022 |
|---|---|---|
| Shareholders' equity (net profit included) (Amounts in €/000) | 1,851,227 | 1,875,711 |
| Total liabilities and Shareholders' equity (Amounts in €/000) | 33,733,449 | 36,208,289 |
| **Shareholders' equity (net profit included)/Total liabilities and Shareholders' equity** | **5.49%** | **5.18%** |

### Total net sales

Sum of sales during the reporting period net of redemptions made during the same period with reference to Assets Under Management (see item), Assets Under Custody (see item) and Direct deposit from customers (see item). For a numerical reconciliation, please refer to the table in the section "Performance of total financial assets" presented in the Consolidated Interim Report on Operation. Total net sales are also shown with reference to customers of the Financial Advisor Network only.

### Total Financial Assets - TFA

Assets Under Management (q.v.), Assets Under Custody (q.v.) and Direct Deposits (q.v.). For a numerical reconciliation, please refer to the table in in the section "Performance of total financial assets" presented in the Consolidated Interim Report on Operation. Total Financial Asset is also represented with reference to the clients of the Financial Advisor Network only.

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