BANCA FINNAT

GRUPPO BANCA FINNAT

CONSOLIDATED HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2021

Consolidated half-yearly financial report at 30 June 2021

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CORPORATE BODIES

BOARD OF DIRECTORS

Giampietro Nattino

Honorary Chairman and Director (*)

Marco Tofanelli

Chairman

Lupo Rattazzi

Deputy Chairman

Arturo Nattino

Managing Director

Maria Teresa Bianchi

Director

Roberto Cusmai

Director

Vincenzo Marini Marini

Director

Giulia Nattino

Director

Maria Sole Nattino

Director

Paola Pierri

Director

(*) On 14 June 2021, Giampietro Nattino, already Honorary Chairman, was appointed Director to replace Ermanno Boffa, who resigned on 18 May 2021.

BOARD OF STATUTORY AUDITORS

Salvatore Ferri
Chairman

Barbara Fasoli Braccini
Permanent Auditor

Laura Bellicini
Permanent Auditor

Nicola Pironti di Campagna
Alternate Auditor

Monica Petrella
Alternate Auditor

MANAGEMENT

Arturo Nattino
General Manager

Giulio Bastia
Joint General Manager
Manager in charge of preparing the accounting documents

Alberto Alfiero
Deputy General Manager

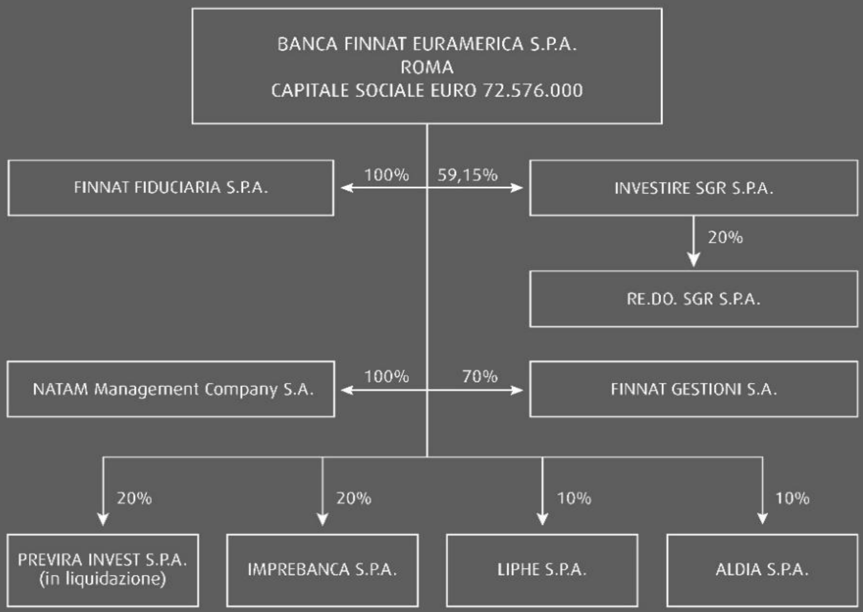
INDEPENDENT AUDITORS

KPMG S.p.A.

CONSOLIDATED HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2021

GROUP COMPANIES

At 30 June 2021, the Group's structure was as follows:



Compared to 31 December 2020, the structure of the Group has changed following the purchase carried out by the Bank, which increased its equity investment in InvestiRE SGR S.p.A. from 50.16% to 59.15%.

GROUP KEY DATA

	30.06.2021	31.12.2020	30.06.2020
GROUP CONSOLIDATED EQUITY (in thousands of euros)	221,186	222,264	216,316
GROUP HUMAN RESOURCES	354	353	351
CONSOLIDATED PROFIT (in thousands of euros)	2,762	5,091	2,063

STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

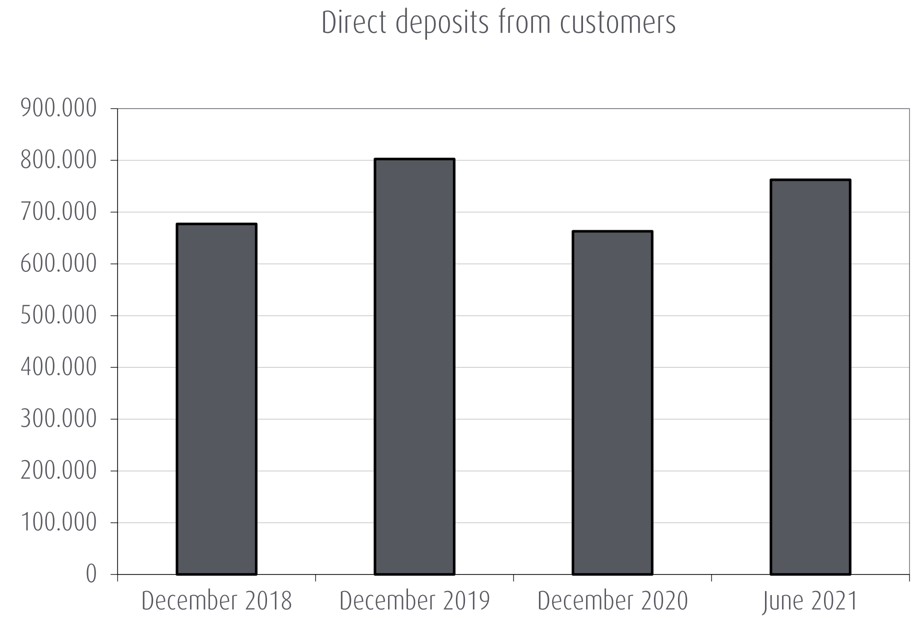
	Number of shares	Stock Exchange Listing 27 July 2021	Capitalisation 27 July 2021 (in thousands of euros)	Consolidated Equity (in thousands of euros)	Share capital (in thousands of euros)
ORDINARY SHARES	362,880,000	0.2630	95,437	221,186	72,576

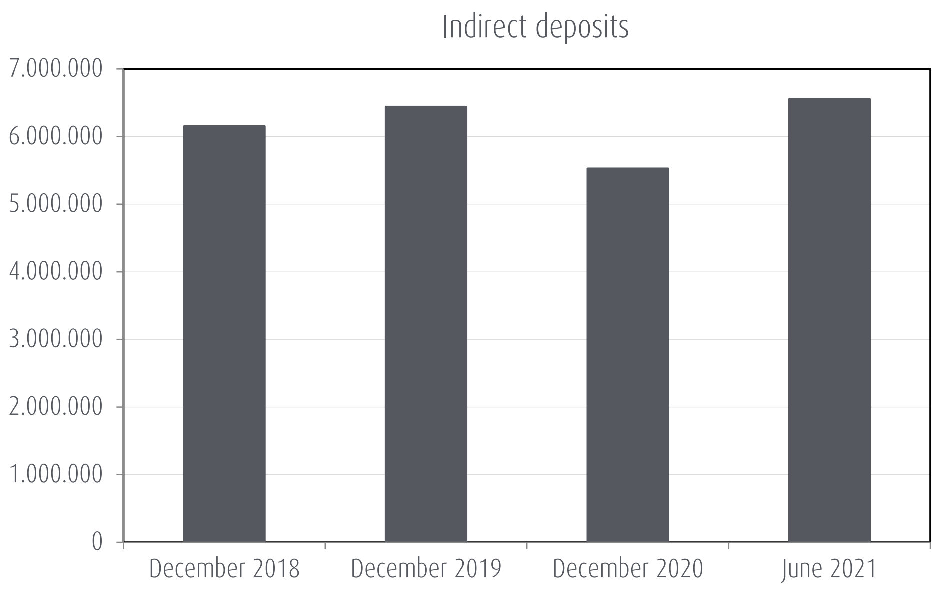
Changes in the Group's deposits (in thousands of euros)

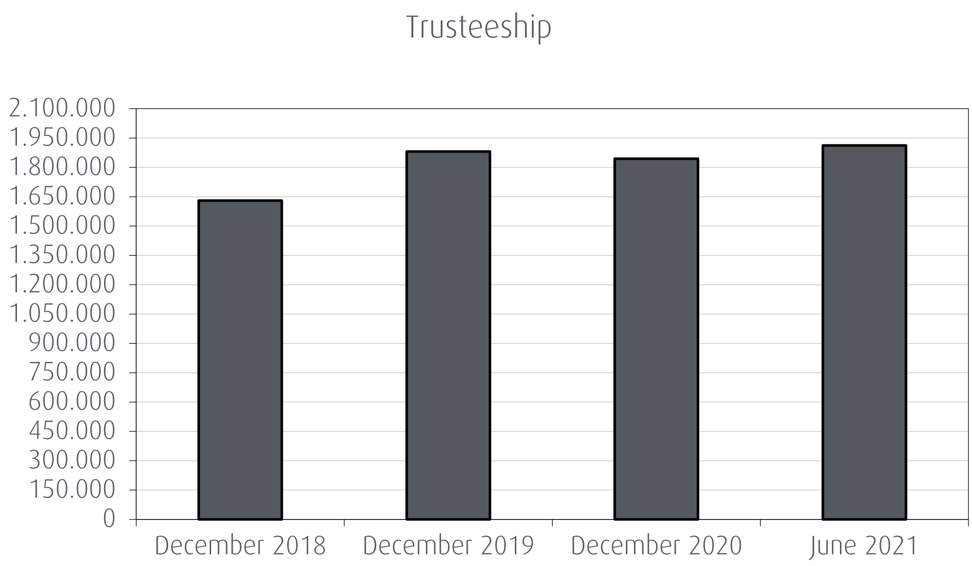
	December 2018	December 2019	December 2020	June 2021
Direct deposits from customers of the parent company	677,119	802,644	663,025	762,424
- Due to customers (current accounts)	439,262	565,790	478,268	546,284
- Time deposits	209,607	211,941	184,757	216,140
- Securities issued	28,250	24,913	-	-
Indirect deposits of the parent company	6,152,748	6,441,594	5,528,219	6,554,884
- Individual management	480,921	484,820	516,798	633,742
- Delegated management	278,565	279,479	256,551	280,518
- Deposits under administration (UCIs and securities)	4,544,537	4,539,880	3,524,466	4,323,726
- Deposits under administration under advice (UCIs and securities)	695,044	859,826	921,118	989,092
- Third party insurance products	153,681	277,589	309,286	327,806
Trusteeship	1,629,864	1,881,194	1,844,502	1,912,648
Real Estate Fund Management (*)	7,321,884	7,078,247	6,643,328	6,847,569
Luxembourg-based Sicav fund administration	662,936	770,279	767,470	768,978
Total deposits	16,444,551	16,973,958	15,446,544	16,846,503

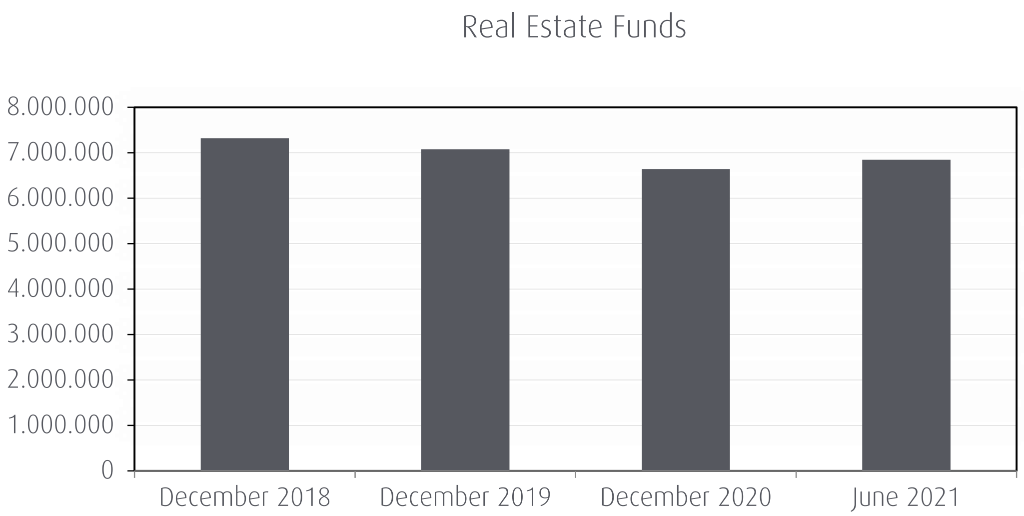
(*) The data from December 2018 included the assets of the FIL 1 and FIL 2 funds for a total of 426,894 thousand euros, transferred in 2019 to REDO SGR S.p.A. following the transfer of the business unit by InvestiRE SGR S.p.A.

The above table shows the changes in the Group's deposits broken down by type. In detail: a) direct and indirect deposits from customers refer to the Bank's operations and do not include repos having the Cassa di Compensazione e Garanzia as the counterparty; b) trusteeship deposits include the deposits of Finnat Gestioni S.A.; and c) the assets of the subsidiary InvestiRE SGR S.p.A. are measured at the market value of the total managed assets before subtracting debt (GAV).
All assets shown in the statement also take into account the amount invested in them and originating from the other types highlighted, with the exception of "Luxembourg-based Sicav administration", which does not include the delegated management already included in the indirect deposits of the Parent Company.

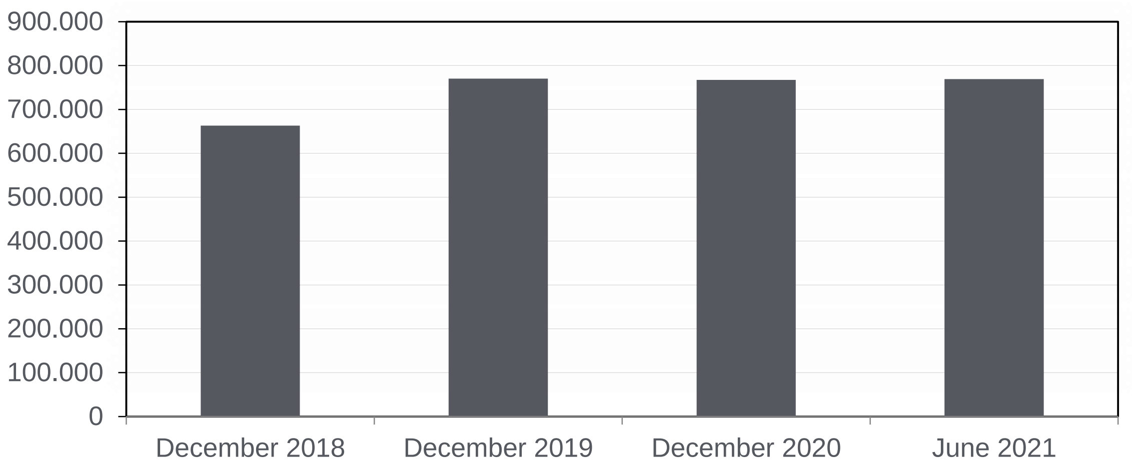




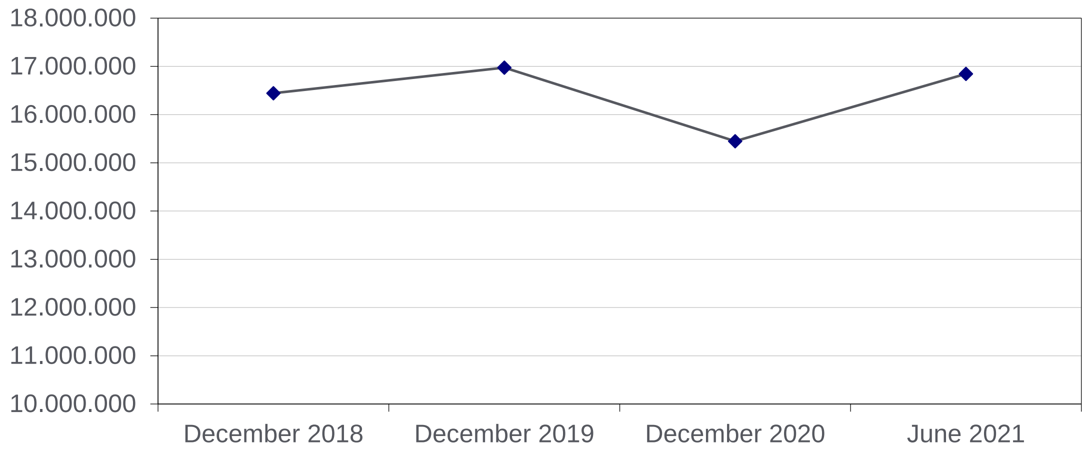

Trusteeship
2.100.000
1.950.000
1.800.000
1.650.000
1.500.000
1.350.000
1.200.000
1.050.000
900.000
750.000
600.000
450.000
300.000
150.000
0
December 2018
December 2019
December 2020
June 2021


Real Estate Funds
8.000.000
7.000.000
6.000.000
5.000.000
4.000.000
3.000.000
2.000.000
1.000.000
0
December 2018
December 2019
December 2020
June 2021

Luxembourg-based Sicav fund administration



Total Group's deposits



TREASURY SHARES AND SHARE PERFORMANCE ON THE STOCK EXCHANGE

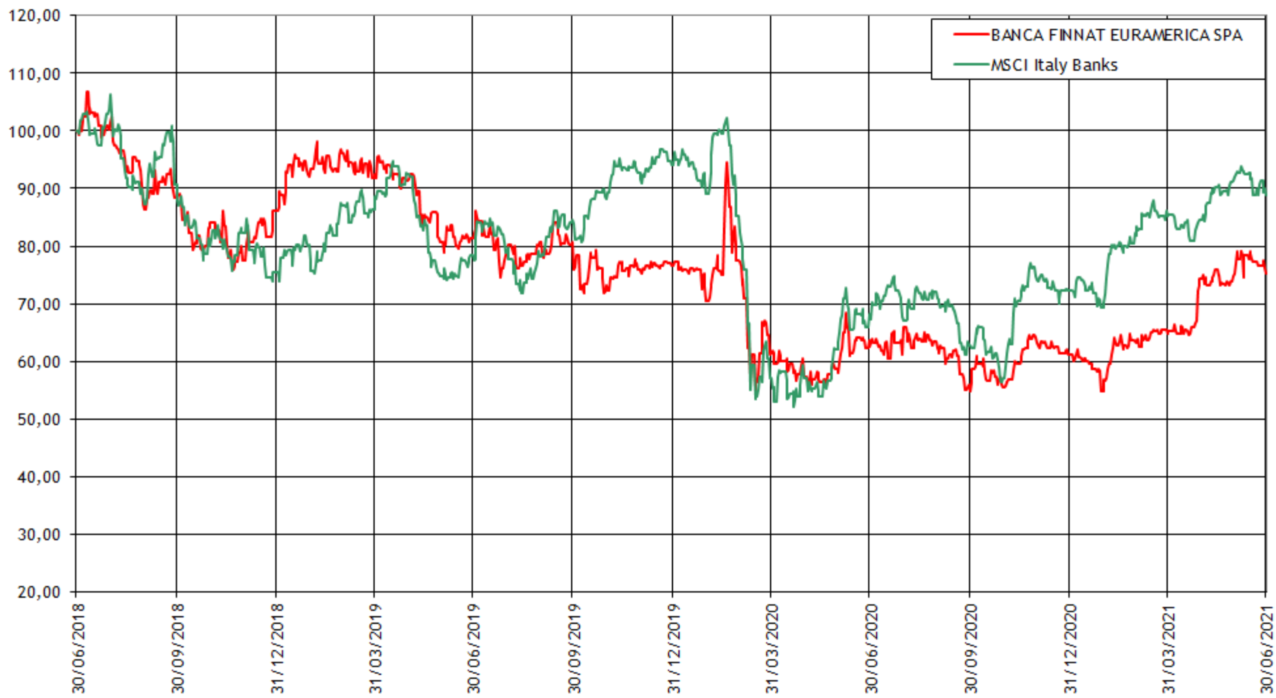
Treasury shares

At 30 June 2021, 28,810,640 treasury shares were held exclusively by the Parent Company. Those shares, totalling 14,059 thousand euros, equal to 7.9% of the share capital of the Bank, in application of *IAS* 32, were used to adjust the equity. In the period in question, the Bank did not buy or sell any treasury shares.

Share performance on the stock exchange

	Market price in euros at:					
Share	27.07.2021	30.06.2021	31.03.2021	31.12.2020	30.09.2020	30.06.2020
BFE	0.2630	0.2780	0.2390	0.2260	0.2020	0.2310

BANCA FINNAT STOCK PRICE PERFORMANCE COMPARED WITH ITALIAN BANKING SECTOR INDEX



REFERENCE ECONOMIC SCENARIO

Before presenting the report on operations for the first half of 2021, we consider it useful to set out several brief considerations on the domestic and international macroeconomic scenario, on the financial markets and on the real estate market in the first six months of 2021.

Domestic and international macroeconomic scenario and financial markets in the first half of 2021

Following a 2020 marked by an extensive global recession which, due to the COVID-19 pandemic, resulted in a decrease in the global economy of 3.2% (in Italy, the economy decreased by 8.9%; in Germany by 4.8%; in France by 7.9%; in the entire Eurozone by 6.5%; in the United States by 3.5% and in Japan by 4.7%), coordinated monetary policy measures, with official rates practically reduced to zero almost everywhere, and, above all, ultra-expansive fiscal measures of a scope that would be difficult to repeat (the public debt/GDP ratios of almost all of the most developed countries are destined to remain above 100% for a long time, while in the Eurozone, the deficit of the public administration increased, on average, to 7.3% of the GDP in 2020 from 0.6% in 2019), the global economy is being guided to growth that could near 5% in final figures for 2021. The effective implementation of those policies, as well as the gradual immunisation of populations, which could be achieved through the ongoing vaccination campaigns, should enable the Italian economy to rebound by 5% over the year; the economy in the Eurozone to grow by 4.5%; Germany to recover 3.5% and France 5.5%; Japan to grow by 2.8% and the United States, which also benefited from extensive fiscal stimulus plans, to grow by around 7-7.4%.
However, in order for this expected growth to occur, no productive activities can undergo any "lockdowns" such as those ordered in many countries, for healthcare purposes, not only last year but again in the first quarter of this year. While the efficient management of the vaccination campaign in the USA, as well as the extensive fiscal stimulus plans, enabled the US economy to quickly achieve its full potential for recovery, with growth in the gross domestic product in the first quarter of 2021 which reached 6.4% (annualised), the numerous lockdowns still in force in Europe in the first quarter of 2021 harshly impacted the services sector this time, which continued to be the hardest hit by the pandemic due to its high sensitivity to social distancing measures (conversely, manufacturing - with factories open - reported results nearing the highest amounts of the last twenty years). The weakness of that sector thus resulted in the Eurozone economy's unexpected further slide into recession, with a GDP, in January-March 2021, which decreased by 1.3% (year-on-year figure) and the Germany economy falling by 3.1%. At the end of the first quarter, the gradual easing of government restrictions and containment measures allowed even services to recover growth, in a context in which economic activities is expected to accelerate in the second half of the year. Even in April new manufacturing orders in the Eurozone recorded further new increases of 69.2% year-on-year, and even of 79.3% for the German economy, with annual retail sales increasing by 23.3% in the Eurozone, by 43.2% in France and 30.4% in the Italian economy. In Italy, following the year-on-year decrease in the gross domestic product of 0.8% based on the final figures for the first quarter of 2021 (following a drop in the GDP of 6.6% y-o-y during the fourth quarter of 2020), signs of an imminent economic recovery which should regard the rest of the year can already be easily seen in the year-on-year increase of 105.1% in industrial turnover in April, the increase of 80.4% in the seasonally-adjusted industrial production index, with consumer goods growing by 56.1%, intermediate goods up by 96.6% and capital goods increasing by 117.4%.

However, the expectations that the economy will generally improve resulted, in the third quarter of 2020, in a significant rise in the prices of all industrial raw materials, energy costs and international logistics costs, generating an increase in inflationary pressures which run the risk of being more structural in the US economy (marked by a more advanced, and thus, more mature economy cycle) compared to the European economy, in which those pressures could - as expected by the Central Banks - be marked by more temporary factors, pending a new decrease in inflation in the Eurozone at the beginning of next year, with the elimination of the temporary factors and the drop in global energy prices, also partially reflecting moderate wage increases in a scenario of production capacity that is still significantly unused. Only in the medium term, once the impact of the pandemic has eased, will the reduction in the significant amount of unused production capacity, boosted by monetary and budget policies that should remain accommodating, be able to contribute to a gradual increase in base inflation. In the US economy, from May 2020 to May 2021, producer prices thus passed from annual decreases of 0.8% to annual increases of 6.6%. Consumer prices are feeling upwards pressure of around 5% year-on-year compared to previous annual increases limited to 0.1%, while core prices, excluding the most volatile components such as food and energy costs, are now growing at annual rates of 3.8% compared to previous annual rates of increase limited to 1.2%. In the Eurozone economy, producer prices, in the same time interval, are now growing at annual rates of 9.6%, compared to the previous year-on-year decrease of 5%, with consumer prices increasing annually by 2% (from the previous annual growth rate of 0.1%) and core prices increasing by 1% compared to increases of 0.9% in May 2020. In the Italian economy, producer prices are now growing at year-on-year rates of 10% (from year-on-year decreases of 7.2% in May 2020), while the year-on-year increase in consumer prices is now 1.3%, from annual decreases of 0.2% also in May 2020. However, according to preliminary estimates by Eurostat, around one-half of the total increase recorded in overall inflation from December 2020 to May 2021 is attributable to the sharp decreases in oil and energy prices seen in the spring of 2020, while inflationary pressures on the non-energy industrial component continued to increase significantly, even though to date this has occurred primarily in the initial stages of the price formation chain. In relation to those pressures, Central Banks are aware that any measures of a restrictive nature, or even only modifications of the current ultra-expansive monetary approaches, could prevent the highly-desired economic recovery. Thus, maintaining favourable funding conditions remains crucial to reduce uncertainty and strengthen confidence, thereby supporting economic activity. In its last meeting of the first half of 2021, the European Central Bank thus confirmed the highly accommodating approach of its monetary policy, with the reference rate fixed at zero and that on deposits negative, equal to -0.5%, in order to preserve favourable funding conditions for all sectors of the economy. The Governing Council then confirmed the capital of the Pandemic Emergency Purchase Program (PEPP) at 1,850 billion euros, and planned to continue net purchases at least up to the end of March 2022 and, in any case, until the critical phase linked to the coronavirus is deemed to be completed. The Governing Council also decided to reinvest repaid principal on maturing securities, under the PEPP, at least until the end of 2023, while also continuing net purchases under the Asset Purchase Program (APP) at the usual monthly rate of 20 billion euros. In the US, the Federal Reserve, in turn, also confirmed its current monetary policy stance, with policy rates steady from 0 to 0.25%, destined to remain at those levels until the economy has reached full employment and the inflation rate has stabilised at 2%, while hinting that it may be necessary to carry out two increases starting in 2023. The Fed will also continue to make purchases of government bonds at a rate of at least 120 billion dollars per month.

The improvement in the outlook for international growth and the continued support provided by the monetary policies adopted by the Central Banks and fiscal measures adopted by governments have favoured optimism on the global financial markets. Based on the final figures for the first half of 2021, the global stock market index grew by almost 12%, with the S&P 500 index, which represents the US stock market, up by 14.4% in dollars and 17.8% in euros, while the technology index Nasdaq offered returns of 12.6% in dollars and 16% in euros. On the European markets, the Eurostoxx 50 index, representing the highest-cap companies in the Eurozone, recorded positive performance of 14.5%, with the German Dax index up by 13.2%, the French CAC 40 index up by 17.2% and the index representing the Italian stock market (FTSE MIB) increasing by 12.75%. On the Asia/Pacific market, the Japanese Nikkei 225 index offered returns of 4.91% in yen, but limited to 0.57% in euros, while on the Hong Kong market, the Hang Seng index appreciated over the half year, by 5.9% in local currency and 8.9% in euros. The Chinese economy deserves separate mention, as well as its index representing the Shanghai/Shenzhen markets (CSI 300). The People's Republic of China was the only large country that closed 2020 with economic growth, limited to 2.3% (from 6% in 2019), but still positive, in a context of global recession. During 2020 the Chinese economy recorded a decrease in GDP (of 6.8%) only in the final figures of the first quarter, to return to annual growth rates of 6.5% in the fourth quarter. The efficient management of the fight

against the pandemic, certainly facilitated by China's unusual political system, contributed to keeping its economic growth on track, generating an increase in GDP of 18.3% based on the final figures for the first quarter of 2021. However, a response of post-pandemic internal consumer spending much lower than hoped for, along with greater control of monetary aggregates and corporate governance by the government authorities resulted in a gradual reduction in the expectations for growth for all of 2021, which will no longer be the amount initially estimated (8-10%) but should be limited to 6.5-7%. The reduction in those expectations resulted in a performance of the CSI 300 index for the half year limited to 0.24% in local currency and 4.4% in euros.
On the fixed income market, the increase in the expectations for inflation and, above all, the concerns that the Federal Reserve could decide to remain inactive, with no changes in monetary policy in relation to clear pressures on prices, resulted in a significant increase in the first quarter of the year in market returns, especially on the medium-long term portion of the US interest rate curve. Compared to 31 December 2020, the yield on 5-year US Treasury Bonds thus rose from 0.36% to 0.9% at 31 March 2021. Yields on 10-year bonds rose from 0.92% up to 1.75% (based on the final figures of the first quarter of 2021, the total return of 10-year US bonds was a loss of 13.5% - the worst quarterly result since 1980), while the yields on 30-year bonds rose from 1.65% at 31 December 2020 to 2.33% at 31 March 2021. The Eurozone, by emulation, but to a much more limited extent, also saw an increase in its interest rate structures, with 10-year German Bund yields rising from -0.58% at 31 December 2020 to -0.33% at 31 March 2021, while Italian 10-year yields rose from 0.54% to 0.63%. Only subsequently did the reassurances by the Fed on the temporary nature of the current inflationary pressures, but especially their ceaseless measures on the open market result in a new phase of reduction in interest rates on the US curve, with 10-year Treasury Bond yields dropping to 1.44% at 30 June 2021 (however, during the second quarter, they reached a yield of 1.26%) and 30-year yields to 2.06%. Bucking the trend, during the second quarter, 10-year German Bund reached up to -0.2% in yield and 10-year Italian yields rose to 0.82%. At the end of the half year, 10-year US bonds had a negative total return of 3.5 percentage points, 10-year Bund had a negative total return of 5.4 percentage points and 10-year BTP had a negative total return of 4.6 percentage points. With regard to the primary market of Italian government bonds, yields on issue grew over the half year from -0.3% to -0.22% for 3-year maturities; from 0.01% to 0.12% for 5-year maturities and from 0.59% to 0.75% for 10-year maturities. However, in February, those yields reached a historical low in the intermediate part of the curve, while on the whole the average cost on issue of Italian securities since the beginning of the year came to 0.17% compared to the 0.59% recorded over all of 2020 and compared to the record low of -0.55% dating back to 2016.
On the commodities markets, the expectations of a strong global recovery generated significant revaluations of the prices of all energy products, industrial metals and, to a lesser extent, also agricultural products during the half year. The CRB Index of commodities increased by almost 26%. The price of West Texas Intermediate crude oil grew by 51% compared to December 2020. Brent crude oil increased by 45%, while diesel listed on the US market grew by 58.4% and natural gas prices by 42.4%. There were also sharp increases in prices of industrial metals such as aluminium (+28.9%), copper (+20.2%), iron ore (+28.1%), nickel (+10.5%) and steel (+18%). However, precious metals such as gold (-7%) and silver (-1.58%) were negative. With regard to agricultural and "colonial" products, the price of corn grew, also during the half year, by 41.1%, while the price of soybeans increased by only 2.1% and wheat lost 0.62%. Sharp increases were seen in the prices of sugar (+11.1%), cotton (+10.7%) and, above all, coffee (+23.8%).
On the foreign exchange markets, the Euro appreciated during the half year by 4.37% against the yen and by 1.1% against the Swiss franc, but depreciated by 2.9% against the US dollar.

The real estate market in the first half of 2021

During the initial months of 2021, investments in the real estate market slowed compared to the same period of the previous year, highlighting investors' continuing uncertainty caused by the global pandemic. Nonetheless, after 2020 which saw a significant decrease in the presence of international investors on the Italian market, 2021 saw the return of a prevalence of international capital and a much more varied stratification of the various asset classes than the average of the last few years, as a result of the need to suitably diversify risk in a scenario of generalised caution.

The office asset class closed the first half of 2021 down sharply on the first six months of 2020, with 740 million euros in transactions, primarily located in central areas of Rome and semi-central and peripheral areas of Milan. The latter is a city that has been handling better the economic crisis triggered by the pandemic: the greater prudence of investors, awaiting greater certainty on the future of offices, was reflect both on prices and on the number of transactions recorded. However, there are signs of optimism for the second half, also confirmed by the recovery of the lease market, especially in Milan.

Logistics continued to consolidate its growth, with transactions more than doubled on the same period of 2020, amounting to 620 million euros: the market is also attracting generalist investors or, in any event, those not specialised in the segment, which are more carefully approaching also the infrastructure market, with a view to greater diversification of this asset class.

The hotel sector (510 million euros in transactions) confirmed investors' preference for high-end hotels, which are often purchased to be renovated and repositioned, renting them to international calibre managers, but also a return in the resort segment. Signs of recovery in this sector were mainly seen in cities such as Venice and Milan, while the recovery in markets such as Rome and Florence was slower.

The residential market recorded 300 million euros in investments, mainly concentrated in Milan, confirming its trend of increasingly gaining a significant position on the market, with urban redevelopment initiatives or single initiatives within a consolidated urban context. The other segments connected with the residential segment, such as student housing and senior living, continued to attract the interest of specialised investors.

At the tail-end, in the first half of 2021, was the retail sector, with around 250 million euros in investments, with transactions mainly in the high street sector, in properties with mixed use that ensure a better balancing of investment risk. The recovery by categories such as shopping centres, *retail parks and factory outlets* will inevitably be slower.

Lastly, alternative asset classes, such as healthcare and high-tech real estate (data centres and telephone switchboards) are now a segment in which investors' interest continues to grow, due to the characteristics of the long-term lease contracts and expected returns.

NOTES FOR READING THE CONSOLIDATED HALF-YEAR FINANCIAL REPORT

Consolidated Half-Year Financial report is drawn up pursuant to Article 154-ter, paragraph 2 of Italian Legislative Decree no. 195 of 6 November 2007, in implementation of EU Directive 2004/109/EC (Transparency Directive). That article established that listed issuers had to publish a Half-Year Financial Report within sixty days from the closing of the first half of the year.
On 18 March 2016, Italian Legislative Decree no. 25 of 15 February 2016, implementing Directive 2013/50/EU amending the Transparency Directive. Among other changes, the decree also extended to three months, from the previous sixty days, the term for publishing the half-year report, specifying that it must be published, in any event, "as soon as possible". In order to increase the distinguished level of the STAR segment, Borsa Italiana amended Article 2.2.3, paragraph 3 of the Rules for companies listed on the STAR segment, establishing that, starting on 1 January 2018, that half-year report must be made available to the public within 75 days from the close of the first half of the year.

The Half-Yearly Financial Report to be published along with the Independent Auditors' Report, where prepared, includes:

- the Condensed Half-Year Financial Statements, drawn up in compliance with the international accounting standards and in consolidated form, if the listed issuer is required to draw up consolidated financial statements;
- the Interim Report on Operations, referring to the significant events that occurred in the first six months of the year, and their impact on the Condensed Consolidated Half-Year Financial Statements, with a description of the main risks and uncertainties for the remaining six months of the year, as well as operations on significant related party transactions;
- the certification of the Manager in charge of preparing the accounting documents.

In compliance with that set out in paragraph 2 of Article 154-ter of the Italian Consolidated Financial Law, this Consolidated Half-Yearly Financial Report includes:

- the Interim Report on Operations;
- the Condensed Consolidated Half-Year Financial Statements (drawn up in condensed format), in compliance with IAS 34 "Interim Financial Reports". Therefore, the Financial Statements do not contain all the information required by the Annual Report, and must be read together with the Annual Report drawn up for the year ended at 31 December 2020, drawn up in compliance with the IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the European Economic Community as per Regulation no. 1606/2002.
  The Condensed Consolidated Half-Year Financial Statements are composed of:
  - the Financial Statement layouts used for the Group Report: Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows.
  - the Notes to the Financial Statements, presented in condensed format, which also include Sections A.3 and A.4 relating to information on transfers between portfolios of financial assets and information on fair value, respectively.
  - the Certification of the Manager in charge of preparing the accounting documents.

The Condensed Consolidated Half-Year Financial Statements are subject to limited audit by KPMG S.p.A.

CONSOLIDATED RESULTS

The first six months of 2021 show a consolidated profit of 2,762 thousand euros compared to 2,063 thousand euros at 30 June 2020.

The profit for the period in question was 699 thousand euros higher than that realised in the first half of 2020. The half year was marked by the gradual containment of the spread of the COVID-19 virus and the resulting restrictive measures implemented by the public authorities. The effects of the pandemic are outlined in the paragraph "The main transactions and events in the period".

The main items that contributed to forming the results of the first six months of 2021 are shown below and compared with the figures of the corresponding period of 2020:

Total income at 30 June 2021 came to 33,231 thousand euros compared to 32,515 thousand euros in the same period of the previous year. The overall increase of 716 thousand euros consists of the following:
increases

- 2,430 thousand euros in Net fee and commission income (25,824 thousand euros in the first six months of 2021 compared to 23,394 thousand euros in the same period of 2020);
- 1,793 thousand euros in Net trading expense. At 30 June 2021, the item had a positive balance of 1,181 thousand euros compared to a negative balance of 612 thousand euros in the first six months of 2020;
- Euro 89 thousand euros in Income on other financial assets mandatorily measured at fair value (loss of 329 thousand euros at 30 June 2021 compared to a similar loss of 418 thousand euros in the same period of 2020).

decreases

- 2,527 thousand euros in Net interest income (5,789 thousand euros at 30 June 2021 compared to 8,316 thousand euros in the same period of 2020);
- 359 thousand euros in Dividends and similar income (722 thousand euros at 30 June 2021 compared to 1,081 thousand euros in the first six months of 2020);
- Euro 710 thousand euros in Net gains from disposal of financial assets at amortised cost and financial assets at fair value through other comprehensive income (gains of 44 thousand euros at 30 June 2021 compared to similar gains of 754 thousand euros in the same period of 2020);

Net impairment losses for credit risk: at 30 June 2021, the item showed net impairment losses totalling Euro 95 thousand euros, relating to impairment losses on Financial asset at amortised cost (101 thousand euros) and to value recoveries of Financial assets at fair value through other comprehensive income (6 thousand euros). At 30 June 2020, instead, impairment losses were recorded on Financial assets at amortised cost of 2,012 thousand euros and value recoveries on Financial assets at fair value through other comprehensive income for 194 thousand euros.

Administrative expenses amounted to 28,364 thousand euros in the first six months of 2021, compared to 26,203 thousand euros in the same period of 2020, and break down as follows:

- personnel expenses, amounting to 19,010 thousand euros, were up by 1,513 thousand euros on the same period of the previous year (17,497 thousand euros), also due to greater provisions for the incentive system and high profile hires in the Bank's staff (at the end of the previous year);
- other administrative expenses of 9,354 thousand euros increased by 648 thousand euros compared to the same period of the previous year (8,706 thousand euros). Other administrative expenses include recoveries from customers of some costs allocated under Other operating income, net. Net of those recoveries, other administrative expenses amounted to 6,775 thousand euros and increased by 240 thousand euros compared

to the same period of the previous year (6,535 thousand euros), mainly due to greater contributions to the National Resolution Fund.

Depreciation and net impairment losses on property, equipment and investment property: the item includes impairment losses of 1,699 thousand euros (1,697 thousand euros at 30 June 2020) and comprises the depreciation of the right of use assets acquired under leases, amounting to 1,517 thousand euros (1,502 thousand euros at 30 June 2020) of which 1,378 thousand euros referring to other administrative expenses and 139 thousand euros referring to personnel expenses.

Other operating income, net at 30 June 2021 showed a positive balance of 2,528 thousand euros compared to 2,512 thousand euros in the same period of 2020. Income comprises recoveries of costs from customers, amounting to 2,688 thousand euros, of which 2,579 thousand euros referring to other administrative expenses (2,279 thousand euros in the first six months of 2020, of which 2,171 thousand euros referring to other administrative expenses). The item also includes net charges of 647 thousand euros due to settlement agreements (also linked to the acquisition of new customers) and administrative penalties.

Income taxes at 30 June 2021 amounted to 1,780 thousand euros compared to 1,580 thousand euros at 30 June 2020.

* * *

The results for the first half of 2021, which also include the change in "Valuation reserves" are shown in the Statement of Comprehensive Income.

GROUP BUSINESS SEGMENTS

Following is an overview of the activities carried out by the Bank and Group companies in the first half of 2021:

Investment Banking

Also in the first half of 2021, the Bank carried out Investment Banking activities using methods that took into consideration the COVID-19 emergency and, therefore, focused significant attention on the need to protect the health of colleagues and customers.
This entailed significant use of remote working, extremely reduced physical interaction between operators, and the substantial lack of meetings with customers and counterparties, except for virtual meetings. In spite of those organisational measures, the results achieved in many segments were more than satisfactory.

In brokerage activities, compared to the average figure for 2020, volumes in Italian equities and in fixed income securities grew. Instead, foreign equities and derivatives were down slightly. Analysing fees, a year-over-year increase can be seen in the overall figure, which shows growth of 10% to 15%: fees referring to both individual customers and institutional customers grew, with the latter due to the consolidation of relationships initiated in the second half of the previous year.
Benefits are also starting to derive from the development of services provided to support other intermediaries (typically managers but also order collectors) in favour of their customers: this is a business segment that generates fee inflows not only linked to brokerage but also to Back Office activities (settlements, custody and administration).
As foreseen in the previous year, Corporate Broking reduced its number of specialist mandates, due to the entry of new operators that feature very low pricing. However, the Bank, which, instead, focuses on the high quality of its service, managed to maintain operating relationships, retaining the role of Nomad or coverage mandates, which seems to be reducing the inevitable decrease in revenue in this segment better than expected.

Moving on to trading on own account, the favourable trend in stock markets certainly benefited the more aggressive positions in the portfolio, which, however, is significantly exposed to fixed income and short-term securities. On these latter asset classes, it is now only possible to generate positive yields through carry trade transactions, which are being increasingly implemented.

Asset Management reported highly positive performance in Management lines.
Focusing only on results, there was slight underperformance compared to the benchmark for the lines with more equity content. Nonetheless, observing the 12-month Sharpe ratios (which measure the effectiveness of the risk/return ratio) often reports exceeding their respective benchmarks. This demonstrates that the approach by our operators is focused on the right balance between the pursuit of returns and the sound management of risks, and is not exclusively aimed at the unfettered pursuit of performance.
The performance of SICAV segments was also generally positive, with the exception of the Short Term Euro Bond and the Large Euro Corporate, due to the previously mentioned situation of negative yields on bonds. The SIF Fund dedicated to AIM Italia reported excellent performance (over 35% in the first six months).
The data on asset management inflows were also comforting, both for portfolios of institutional customers (few mandates, but for large amounts) and for those for individual customers.
The set-up of a new product - "multi-line" portfolio management - was also completed, and the placement will be launched following the summer break, with significant expectations for inflows.

Advisory & Corporate Finance

During the first half of 2021 the team dedicated to these activities continued developing its operating capacity, capturing the opportunities that arose as part of the scenario of partial general recovery following the problems linked to the COVID-19 epidemic that marked 2020.
In particular, in addition to managing the assignments in progress, the team acquired new ones. The assignments overseen included: i) arranger assignments from several selected issuers to structure a basket bond dedicated to companies listed on the AIM Italia market; ii) assistance to a company operating in the renewable energy sector to structure and complete the issue of a debt instrument classified as a sustainable instrument, which may be listed; iii) assistance in obtaining financial resources by opening up the share capital of an operator that manufactures and sells bioplastics; iv) financial assistance as a part of an M&A transaction in the packaging sector; v) financial assistance to an issuer listed on the MTA segment for the purpose of issuing a professional opinion for the Board of Directors, relating to the adequacy of the criteria for determining the issue price of new shares as part of a reserved capital increase; vi) assistance to a primary real estate operator for the preparatory activities for the presentation to the Municipality of Rome of an urban redevelopment project and for finding the necessary financial resources to support it.

Furthermore, the following were completed: i) the listings of Premia Finance on the AIM Italia market, Professional Segment, and of G Rent S.p.A., assignment obtained at the beginning of the year, on the AIM Italia market, in the roles of Nomad and Global Coordinator; ii) an assignment for financial assistance to a company operating in the e-learning sector, aimed at identifying and illustrating possible financial instruments for the development of the company; and iii) an assignment for financial assistance to a company that sells tools and hardware, to obtain new medium/long-term credit lines.

Lastly, during the first half of 2021, the ongoing Nomad activities continued for several companies listed on the AIM market. At 30 June 2021, 21 companies were assisted on the AIM Market.

Commercial Division

The first half of 2021 ended with all indicators up, both regarding net inflows and the various types of investment.

Our range of wealth management services focuses on security and reducing volatility, as well as resolving family planning issues and creating high-end pension plans. In these areas, at the end of the previous year, we were able to use a new multi-class insurance offer created with Zurich for the purposes of reducing volatility while ensuring investments consistent with our long-term expectations on winning issues in the new scenario created by the pandemic. This investment strategy includes the option of pension choices that are highly sought after by HNWI and guarantees forms of insurance coverage increasingly desired by entrepreneurs and professionals. Insurance product services are a crucial component in managing the most prudent part of asset allocation of customers, and this year we were also able to use the range of class 1 life business products of three insurance companies with excellent standing, despite the gradual disappearance of these insurance financial instruments. During the half year, wealth management thus reported highly significant volumes in all types of insurance products offered by BFE.
The guidelines identified in the spring of 2020 to capture the best opportunities for growth expressed in the slogan ‘The World to Come’ translated into investment solutions in ‘Green’, technology, cyber security and health issues.
Advisory activities, which developed these issued further through the evolution of our model portfolio and consistency with this portfolio by the advisory services provided by the network ensured excellent performance. Constant dialogue between the advisory team and the network is the foundation of our advisory model, which gives rise to personalised proposals based on the customer's expectations in terms of risk-return and time horizon, which were realised with a significant growth in assets invested in SICAV and ETFs.
The positive performance of our asset management in 2020 led to further growth in this type of investment.

In Financial Planning in the half year, intense escrow activities were performed, primarily for solutions for adjustments within family assets and in M&A transactions. In particular, the dynamism of corporate finance transactions made it possible to provide our customers with financing in the phases preceding corporate finance transactions that require significant liquidity support.

In marketing, we had an active presence through online events, such as economic scenarios and analyses of global public debt, which increased to amounts never before seen, in both absolute and relative terms. The monthly publication of analyses and information on the financial markets and on geopolitical and economic issues continued, through which we attempt to keep our advisory or asset management customers up-to-date on the consistency of our financial tactics with macroeconomic events.

The half year just ended, in addition to providing satisfying results, was also a testing ground for investment solutions that will be brought to customers in the second half of the year, such as multi-line asset management and closed-end funds in NPLs and real estate.

Asset Management - Real Estate Fund Management

InvestiRE SGR is positioned in the market as a leading operator, specialising in the development of real estate portfolios in various market sectors, targeted to domestic and international investors. At 30 June, InvestiRE managed around 6.8 billion euros of assets through 50 funds (all reserved funds except one retail fund) and represents over 250 national and international institutional investors, including insurance companies, pension, private equity, and real estate funds and banks.
During the first half of 2021, managed assets underwent a net increase of approximately 3% compared to 31 December 2020.

Investment activities carried out during the first half of 2021 specifically included:

- the purchase, through contribution, for a value of 181 million euros, of a portfolio of 11 properties, primarily rental properties for residential use, located in Milan, Turin and Rome, from the PRS Italy Fund. That fund, the first of its kind in Italy, was established near the end of the previous year by leading Italian and international investors, and aims to invest in residential portfolios to be developed and held for rental;
- the purchase, by the Spazio Sanità Fund, of an assisted living facility located in the province of Florence, for a value of 5 million euros.
- in the "Social Housing" segment, the IBI and FERSH funds finalised the purchase of a complex of three lots located in Reggio Emilia for 6.3 million euros and the purchase of a building located in Sassuolo for a value of 2.2 million euros, respectively.

In the first half of 2021 development activities were carried out, both regarding redevelopment of existing properties and new construction, for approximately 50.7 million euros. Regarding development activities of funds with properties mainly for service sector or residential use, the following is noted:

- the continuation by the Monterosa Fund of the operations of renovation of an office property in the centre of Milan, carrying out works for approximately 9.9 million euros. The works will be completed by the end of 2021, with additional production of 3.5 million euros;
- the continuation of the works of redevelopment of a prestigious property in the centre of Rome, owned by the FIEPP Fund, to be used as the Italian headquarters of a leading international company in the media/internet TV content production sector, which is expected to be completed by the end of the year. The works during the period amounted to around 4.4 million euros;

- the continuation of the works for transformation from office use to prestigious residential use of a property located in Rome, in the EUR area, owned by the Helios Fund, for a total amount of approximately 21 million euros, of which the works during the period came to 1.7 million euros;
- The completion by the Q4 Fund of the redevelopment works and new construction of a property located in Rome, for mixed commercial and industrial use, in preparation for lease to a multinational in the automotive sector, for a total amount of works of approximately 3.6 million euros, of which works during the period of 0.7 million euros;
- for the FPEP Fund, the continuation of the second phase of the redevelopment of a residential property located near the centre of Milan, intended for fractional sale, for a total amount of works during the period of approximately 2.8 million euros;
- for the Twin 1 and 2 Funds, the construction was completed on 158 apartments, which will obtain title deeds by notary by the end of the year, with construction works during the period totalling approximately 7.5 million euros;
- for the Secondo RE Fund, the redevelopment of a property to be leased as a hostel was completed, near the centre of Florence, with works carried out during the period equal to approximately 1.9 million euros;
- 100 apartments in the first lot of the Cascina Merlata Social Housing Fund were completed, as well as 60% of the title deeds by notary: the second lot of 195 apartments will be completed by July 2021. During the period, construction work amounted to around 4.1 million euros.

The main sales activities regarded:

- funds comprising mainly residential properties (FPEP, Helios, INPGI, INPGI Hines and Apple), which continued the fractional sales and finalised title deeds for a total price of approximately 52.5 million euros;
- social housing funds, which continued the apartment marketing activities (through leases, future sale agreements and sales); in particular, the Cà Granda Fund and the Cascina Merlata Fund finalised sales for a total price of around 12.7 million euros and 15.2 million euros, respectively;
- funds with a short-term divestment plan, whose activity is focused on real estate trading (Omega 3 and Omega 4, Neptune 1 and Neptune 2 Funds), which finalised sales totalling approximately 13.5 million euros;
- the Distressed & Non Performing Assets area (Securis I, II, III, Sistema BCC and BCC Roma) continued its real estate portfolio disposal activities, finalising sales for approximately 10.5 million euros and rent-to-buy contracts for approximately 5.5 million euros in terms of sale value.

Trusteeship

The extreme global recession that marked 2020 resulted in a decrease in the global economy. Thanks to coordinated monetary and fiscal policy measures, during the first half of 2021 the first positive signs of economic recovery were seen.

In this unusual scenario, Finnat Fiduciaria continued developing its business, with ever increasing satisfaction of both its customers and the banking group to which it belongs.

The Company continued operating in support of its customers, with a specific focus on issues of planning, protection and succession related to business activities and financial and real estate assets.

The first half was marked by a strengthening of "fiduciary accounts" and mandates received, both for fiduciary mandates for financial assets (securities, liquidity, policies, equity investments in companies, etc.) and for mandates without representation (administration and custody, escrow agreements, etc.), which recorded an increase of approximately 61 million euros, from 1,734 million euros at 31 December 2020 to 1,795 million euros at 30 June 2021.

The initiatives taken by the Company made it possible to successfully recover receivables, consolidating on the results achieved in the previous years, having collected approximately 75% of 2021 turnover to date.

It is important to note that, with regard to the coronavirus epidemic, from the very start the Company launched an emergency plan to counter the spread of the COVID-19 in coordination with the Parent Company, ensuring suitable health procedures to enable to the regular performance of activities.
Finnat Gestioni, which operates in the sector of asset management for individuals and institutional customers, has the purpose of management and financial advisory services on the assets deposited at the foreign depositary bank identified by the customer.
Despite the continuation of the COVID-19 emergency, the company managed to record sound, positive performance. Assets under management (CHF 129 million at 30 June 2021 compared to CHF 119 million at 31 December 2020) and profit (CHF 273 thousand at 30 June 2021 compared to CHF 229 thousand at 30 June 2020) in the first half of 2021 actually grew compared to the end-2020 figures. Also in the first half of 2021, customers were interested in diversifying in savings deposits and asset allocation.

Research & Development, Organisation

During the period in question, the Bank implemented the following:

Organisation Area:

- Activated the web collaboration procedure, which sends customers advisory proposals and enables their "remote" acceptance via digital signature, using the internet banking channel.
- Developed and released a new portal for consulting internal regulations, with the related dynamic, scalable consultation of company processes.
- Implemented a new "remote" customer onboarding process.
- Activated new operating methods and functions to expand the services offered to institutional customers (SIM - securities firms, and SGR - asset management companies).
- Activated new functions on the CRM platform used by bankers.

IT and Technologies Area:

- Activated a new Unified Communication system at the headquarters.
- Activated a new monitoring system of the local and peripheral network.
- Updated and expanded the technological infrastructure at the disaster recovery site.
- Increases ICT security levels with interventions in various areas (web-filtering, email management).

Corporate Governance

The Bank has adopted a traditional administration and control model, comprising two bodies appointed by the Shareholders' Meeting: the Board of Directors (with 10 Directors, of which one also holding the position of Honorary Chairman), the central body in the corporate governance system, exclusively in charge of managing and providing strategic supervision of the Bank and the Group, and the Board of Statutory Auditors with oversight functions over the administration and compliance with the law and with the Articles of Association.
The Board of Directors, also in accordance with the recommendations of the Corporate Governance Code (hereinafter, "the Code"), established three internal Committees (Risk Committee, Appointments Committee and Remuneration Committee), consisting of a majority of Independent Directors, which provide proposals, advice and preliminary studies for the Board.
By virtue of the provisions of the CONSOB Regulation issued through Resolution no. 17221 of 12 March 2010 and the Code, the Board has also set up a Related Parties Committee, exclusively consisting of Independent Directors.
The Supervisory Body under Italian Legislative Decree no. 231/2001 is appointed by the Board of Directors.

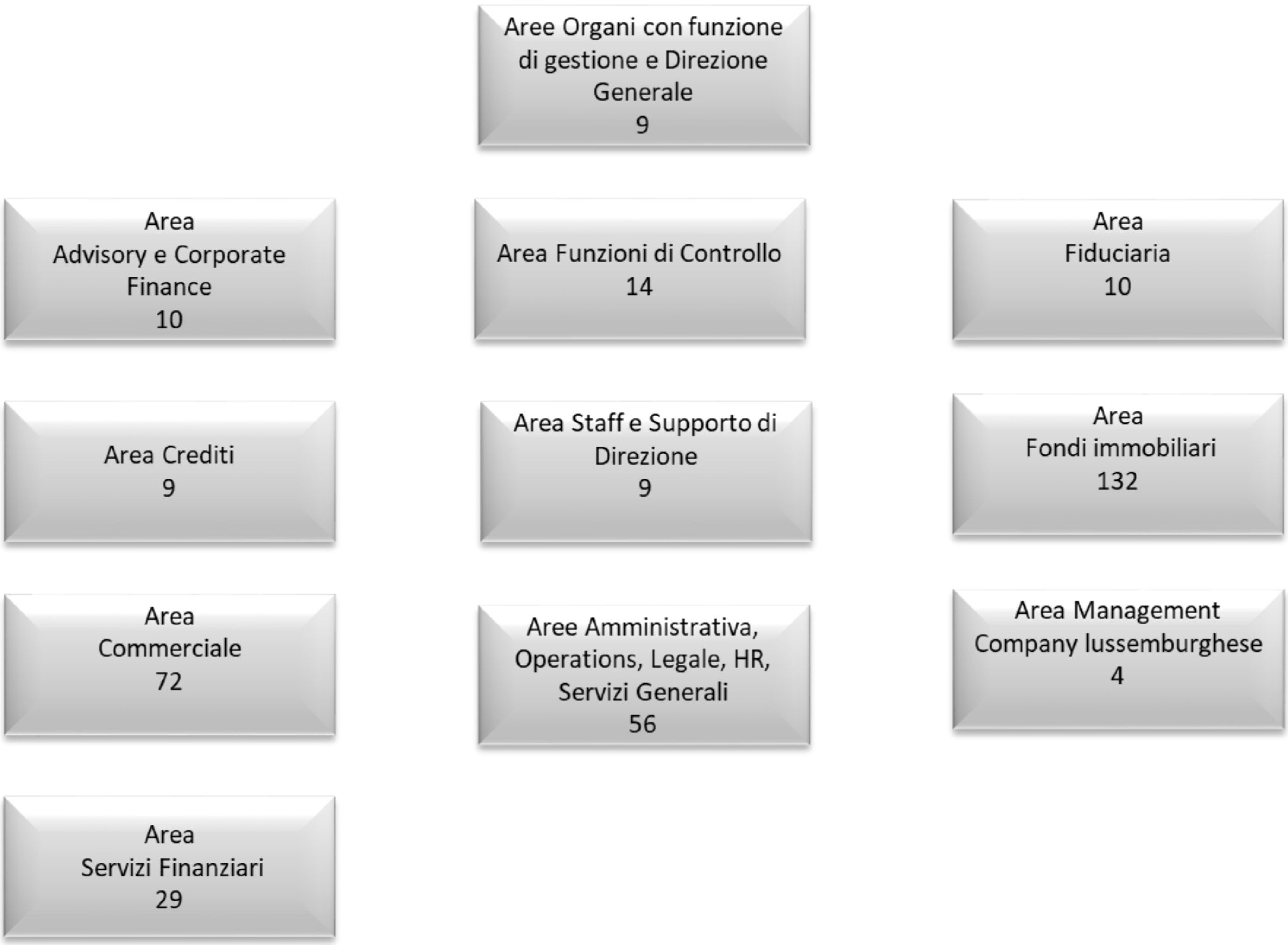
The governance principles of Banca Finnat Euramerica, in addition to being grounded in the applicable laws and regulations in force in Italy, are also inspired by international best practices on the matter and the recommendations of the Corporate Governance Code.
The Board of Directors preventively identified the qualitative and quantitative composition of the governing body that is deemed optimal, in view of the proper and most effective performance of the duties of the Board, in accordance with the instructions in Bank of Italy Circular no. 285 of 17 December 2013, as subsequently updated.
Pursuant to the Bank of Italy Circular no. 285 of 17 December 2013, as subsequently updated, the Shareholders' Meeting of the Bank of 30 April 2021 approved the remuneration and incentive policies.

By virtue of that set out in Article 23 of Decree of the Ministry of the Economy and Finance no. 169/2020, on the fit and proper requirements of officers of banks and other intermediaries regulated by the Consolidated Financial Law (the "Decree"), in implementation of Article 26 of Italian Legislative Decree no. 385/1993 (the "Consolidated Financial Law", as subsequently amended), on 25 May 2021 and 14 June 2021, the Board of Directors verified, in relation to its members:
(i) that they met the requirements of professionalism, integrity (also pursuant to Ministerial Decree no. 162/2000) and, where applicable, independence;
(ii) that they met the criteria of fairness and competence;
(iii) that they complied with the limit to the number of offices set out in Articles 17, 18 and 19 of the Decree (the "Limit to Offices");
(iv) that they met the criterion of independence of mind set out in Article 15 of the Decree, and put in place suitable controls to prevent the risk of compromising such independence;
(v) that they had adequate time available to carry out the office, considering, inter alia, their participation in board committees, set out Article 16 of the Decree (the "Time Commitment");
(vi) that, where applicable, they met the requirement of independence pursuant to Article 2, Recommendation 7 of the Code;
(vii) that, where applicable, they met the requirement of independence pursuant to Article 148, paragraph 3 of Italian Legislative Decree no. 58/1998, as subsequently amended (the "Consolidated Financial Law"), and as referred to in Article 147-ter, paragraph 4 of the Consolidated Financial Law;
(viii) that there were no reasons for incompatibility for the purposes of interlocking pursuant to Article 36 of Law Decree no. 201 of 6 December 2011 (the "Interlocking Prohibition");
(ix) that the composition of the governing body as a whole complied with the indications set out in the "Guidance on the qualitative and quantitative composition of the Board of Directors of Banca Finnat S.p.A.", drawn up following the annual self-assessment by the Board of Directors (published on the Company's website on 19 March 2021 - and then updated on 31 March), and that it met the criteria of appropriate overall composition pursuant to Article 11 of the Decree.

In the course of the meetings of the Board of Directors, the Board was kept constantly informed on the measures implemented to limit the risk of the spread of COVID-19.

STRUCTURE OF BANCA FINNAT AND GROUP COMPANIES

The allocation of human resources within the activities carried out by the Bank and the Group subsidiaries can be represented as follows:



The personnel of the Group rose from 353 at 31 December 2020 to 354 at 30 June 2021, as shown in detail below:

	30.06.2021	31.12.2020
Employees	340	339
- executives	57	56
- middle managers	147	144
- office workers	136	139
Contractors	9	9
Financial advisor agents	5	5
Total	354	353

RELATED PARTY TRANSACTIONS

The Bank complies with the Regulations for Related Party Transactions, approved by the Board of Directors on 2 August 2013 to define responsibilities and rules governing the identification, approval and implementation of Related Party Transactions carried out by the Bank or by companies in the Banca Finnat banking group, in accordance with the provisions of Article 2391-bis of the Italian Civil Code, the CONSOB Regulation adopted through Resolution no. 17221 of 12 March 2010 and of Title V, Chapter 5 of Bank of Italy Circular no. 263 on "New Prudential Supervision Provisions for Banks", respectively.

The Bank has carried out transactions both with subsidiaries and with related parties, ordinary transactions of lesser significance and of small amounts, under market conditions, which did not significantly impact the statement of financial position or the results of the company.

The Bank did not carry out any "atypical or unusual" transactions with related parties or with parties other than related parties which, due to their significance/relevance may have cast doubts on the safeguarding of the company's assets and the protection of non-controlling interests.

The information required by *IAS* 24 is provided in Part H of the Notes to the Financial Statements.

MARKET DISCLOSURE INFORMATION

Regarding direct disclosure to the market, the Group declares that:

- with reference to the request formulated by Bank of Italy with its communication of 17 June 2008, at 30 June 2021, neither the Bank nor the other Group companies held any exposure and/or interest, either directly or through vehicle companies or other non-consolidated entities, in financial instruments or UCIs characterised by high-risk investments, such as: - SPE (Special Purpose Entities) - CDO (Collateralized Debt Obligations) - Other subprime and Alt-A exposures - CMBS (Commercial Mortgage-Backed Securities) - Leveraged Finance.
- the Board of Directors of Banca Finnat Euramerica S.p.A., pursuant to CONSOB Resolution no. 18079 of 20 January 2012, decided, on 21 January 2013, to comply with the simplification system set forth in Articles 70 (paragraph 8) and 71 (paragraph 1-bis) of the Regulation adopted by CONSOB through Resolution no. 11971 of 14 May 1999, as subsequently amended, by making use of the right of listed companies to depart from the obligation to submit the information documents required by Annex 3B of the CONSOB Regulation relating to future significant extraordinary operations such as mergers, demergers, capital increase by non-cash contributions, acquisitions and sales;
- with reference to the requests contained in joint Document no. 2 dated 6 February 2009 by the Bank of Italy, CONSOB and ISVAP and in their subsequent Document no. 4 dated 4 March 2010 and the provisions of paragraphs 15 and 25 of IAS 1, regarding disclosures to be made with respect to going concern assumptions, please refer to the commentary provided in Part A, Section 2 - General financial reporting principles and Part E - Information on Risks and Related Hedging Policies of the Notes to the 2020 Financial Statements;
- the Bank, by the prescribed deadline of 1 February 2018, exercised the option for the application of the transitional rules prescribed by the Regulation (EU) no. 2017/2395, amending "Regulation (EU) no. 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public sector exposures denominated in the domestic currency of any Member State". The aforesaid transitional rules provide the possibility of including in Common Equity Tier 1 capital a transitional positive component, calculated in percentage terms, of the increase undergone by the allocations for expected losses on receivables by effect of the first adoption of IFRS 9. This benefit is recognised

for a period of 5 years according to decreasing rates (95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022). From 1 January 2023 onwards, the impact deriving from the first-time adoption of IFRS 9 will be fully reflected in the calculation of own funds. In addition to the possibility of delaying the impact deriving from the first-time adoption of the new accounting standard to 1 January 2018, the transitional arrangements provide the possibility of delaying any impacts of the new impairment model also in the first years following the date of first-time adoption of IFRS 9, albeit limited to those deriving from the measurement of performing financial assets.
On 28/4/2020, the EU, with Regulation no. 2020/0066 issued to combat the effects of COVID-19, supplemented the above-mentioned transitional provisions, extending their applicability from 2022 to 2024 (again with progressively decreasing percentages) for the new provisions recognised in 2020 and in 2021 against performing financial assets.

OPTION FOR THE DOMESTIC CONSOLIDATED TAX SYSTEM

The Bank and its Italian-based subsidiaries have joined the "domestic consolidated tax system", pursuant to Article 117/129 of the Consolidated Income Tax Act. The option was renewed in June 2019 for the 2019-2021 period.
By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the algebraic sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit of the company is determined.

OWN FUNDS AND CONSOLIDATED BANKING REGULATORY RATIOS

The consolidated Regulatory Capital is determined based on the harmonised regulations for Banks and the Investment companies contained in the Regulation ("CRR") and in the EU Directive ("CRD IV") of 26 June 2013 that transfer to the European Union the standards defined by the Basel Committee on Banking Supervision (known as Basel 3).
In order to enact the regulations, the Bank of Italy issued Circular no. 285 "Prudential Supervision Provisions for Banks" on 17 December 2013.

Own funds at 30 June 2021 amounted to 184,999 thousand euros (184,465 thousand euros at 31 December 2020), whereas the Total capital ratio, the CET1 capital ratio and the Tier1 ratio stood at 31.4% (34.9% at 31 December 2020). The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section "Market disclosure information". Without this application, Own funds would have been equal to 183,791 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would be equal to 31.3%.

These ratios widely exceed minimum capital requirements at consolidated level mandated for us by the Bank of Italy on conclusion of the supervisory review and evaluation process (SREP) established by Directive no. 2013/36/EU (CRD IV).

EXPOSURE TO DEBT SECURITIES AND SOVEREIGN DEBT FINANCING

With its "Communication on information to be provided in financial report with regard to exposures held by listed companies in sovereign debt securities", no. DEM/11070007 of 5 August 2011, CONSOB references the application of document no. 2011/266 of 28 July 2011 of the European Securities and Markets Authority (ESMA) relating to the information about sovereign debt to be included in the annual and half-year financial reports prepared by listed companies that adopt the IAS /IFRS international accounting standards.

As indicated in the ESMA document, "sovereign debt" means bonds issued by central and local governments and by government agencies as well as loans issued to the them. The following tables highlight in more detail the exposure in debt securities by their accounting portfolio, maturity bracket and fair value hierarchy.

The following tables show, broken down by individual country, the book value of exposures to sovereign credit risk.

Breakdown of sovereign debt securities portfolio - by issuer country (in thousands of euros)	30.06.2021
EU Countries	
- Italy	1,088,124

Breakdown of sovereign debt securities portfolio - by portfolio and by maturity (in thousands of euros)

	maturity in 2021	maturity in 2022	maturity in 2023	maturity in 2024	maturity in 2025	maturity in 2026	maturity beyond 2026	Total	Level 1
Financial assets at fair value through profit or loss: a) Financial assets held for trading (-/+)									
- Italy	-	1	1	-	-	2	-	4	4
Financial assets at fair value through other comprehensive income (*)									
- Italy	5,011	10,045	10,080	49,398	40,964	121,507	-	237,005	237,005
Financial assets at amortised cost									
- Italy	349,986	501,129	-	-	-	-	-	851,115	851,115
Total	354,997	511,175	10,081	49,398	40,964	121,509	-	1,088,124	1,088,124

(*) the amounts are gross of portfolio impairment losses for credit risk totalling 155 thousand euros.

PERFORMANCE OF SUBSIDIARIES

InvestiRE SGR S.p.A.

The company, based in Rome and incorporated on 4 February 2002, has the purpose of establishing and managing real estate funds and was authorised by the Bank of Italy on 9 May 2002.

On 29 December 2014, the merger by absorption of Beni Stabili Gestioni SGR S.p.A. . and Polaris Real Estate SGR S.p.A. within InvestiRE Immobiliare SGR S.p.A. was finalised, with accounting and tax effects as from 1 January 2015.

As a result of this transaction, the share capital was increased from 8,600,000 euros to 14,770,000 euros and the company is owned at 31 December 2020 by Banca Finnat Euramerica, with 50.16%, by Covivio 7 (formerly Beni Stabili Siiq), with 17.90%, by Regia S.r.l. (G. Benetton Group) with 11.64%, by Fondazione Cariplo with 8.65%, by Cassa Italiana di Previdenza e Assistenza Geometri with 7.72%, by ICCREA Holding with 2.38% and by Fondazione Cassa dei Risparmi di Forlì with 1.55%.

On 8 March 2021, Banca Finnat acquired from Covivio 7 S.p.A. - a shareholder of InvestiRE SGR with a stake of 17.89% - the entire equity investment (equal to 2,643 shares). At the same time, the Bank sold to E.N.P.A.F.- Ente Nazionale di Previdenza e di Assistenza Farmacisti 8.9% (equal to 1,315 shares) of the shares purchased.

On conclusion of the transaction, the Bank increased its equity investment in Investire Immobiliare SGR from 50.16% to 59.15%.

At 30 June 2021, InvestiRE SGR S.p.A. holds an equity investment of 20% in the share capital of REDO SGR S.p.A. for a value of 4,215 thousand euros. In November 2020, InvestiRE sold 2.56% of that equity investment (which it and Cariplo held in the amount of 33.3% and 66.7%, respectively) following the already planned share reorganisation which was completed with the entry into the capital of Cassa Depositi e Prestiti and Intesa San Paolo. On conclusion of the transaction, the share capital of REDO SGR is divided as follows: 40% Fondazione Cariplo, 30% Cassa Depositi e Prestiti S.p.A., 20%, InvestiRE and 10% Intesa San Paolo.

At 30 June 2021, the company managed 50 real estate funds, and the GAV of the managed assets came to 6,848 million euros compared to 6,644 million euros at 31 December 2020.

The half year report at 30 June 2021 shows profit of 2,742 thousand euros compared to 2,286 thousand euros at 30 June 2020 and book value of equity of 77,654 thousand euros compared to 79,995 thousand euros at 31 December 2020. During the first half of 2021 the company recognised fee and commission income of 12,895 thousand euros compared to 11,884 thousand euros in the same period of 2020.

Finnat Fiduciaria S.p.A.

The company - incorporated in accordance with Italian Law no. 1966 of 23 November 1939 - is based in Rome and operates as an equity and security trust company. It has a share capital of 1,500,000 euros held entirely by Banca Finnat Euramerica S.p.A.

At 30 June 2021, assets under management totalled 1,795 million euros compared to 1,734 million euros at 31 December 2020.

The half year report at 30 June 2021 recognised profit of 58 thousand euros compared to 57 thousand euros at 30 June 2020. During the first half of 2021 the company recognised fee and commission income of 743 thousand euros compared to 746 thousand euros in the same period of 2020. At 30 June 2021, the company had equity of 2,010 thousand euros compared to 2,000 thousand euros at 31 December 2020.

Finnat Gestioni S.A.

The company, established on 10 April 2008, is based in Lugano and provides financial management and advisory services including, in particular, asset and portfolio management services.

The Bank holds a 70% stake in the company's share capital, which amounts to CHF 750,000, while the remaining stake is held by EFG Bank. Managed assets at 30 June 2021 came to CHF 129 million, compared to CHF 119 million at 31 December 2020.

The book value of equity at 30 June 2021 came to CHF 2,185 thousand compared to CHF 2,342 thousand at 31 December 2020.
The half year report at 30 June 2021 recognised profit of CHF 273 thousand compared to CHF 229 thousand at 30 June 2020.
During the first half of 2021 the company recognised fee and commission income of CHF 450 thousand compared to CHF 448 thousand in the same period of 2020.

Natam Management Company S.A.

The company, established on 30 August 2016, has its registered office in Luxembourg and share capital of 750,000 euros divided into 750 shares with a face value of 1,000 euros each, entirely subscribed by Banca Finnat.
Natam's corporate purpose is to perform collective asset management both in favour of harmonised funds and of alternative investment schemes.
The half year report at 30 June 2021 recognised profit of 77 thousand euros compared to 56 thousand euros at 30 June 2020.
The book value of equity at 30 June 2021 came to 917 thousand euros compared to 839 thousand euros at 31 December 2020.
During the first half of 2021 the company recognised fee and commission income of 882 thousand euros compared to 879 thousand euros in the same period of 2020.

KEY RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT FIGURES

We present to you below, in summary form, the main data of the financial statements at 30 June 2021 compared with those at 31 December 2020 for the Statement of Financial Position and with those at 30 June 2020 for the Income Statement.
The tables reflect the minimum mandatory layout provided for in Circular no. 262/2005 issued by the Bank of Italy (update 6).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (thousands of euros)

	30.06.2021	31.12.2020	Absolute change
ASSETS			
Cash and cash equivalents	867	711	156
Financial assets at fair value through profit or loss:	33,154	27,867	5,287
a) financial assets held for trading	8,331	6,847	1,484
c) other financial assets mandatorily measured at fair value	24,823	21,020	3,803
Financial assets at fair value through other comprehensive income	291,531	341,825	(50,294)
Financial assets at amortised cost	1,515,133	1,378,338	136,795
a) loans and receivables with banks	147,285	124,563	22,722
b) loans and receivables with customers	1,367,848	1,253,775	114,073
Equity investments	11,068	10,694	374
Property, equipment and investment property	19,946	17,899	2,047
Intangible assets	31,168	31,170	(2)
Tax assets	9,716	10,319	(603)
Other assets	20,937	23,310	(2,373)
TOTAL ASSETS	1,933,520	1,842,133	91,387
LIABILITIES AND EQUITY			
Financial liabilities at amortised cost	1,639,047	1,552,963	86,084
a) due to banks	348	157	191
b) due to customers	1,638,699	1,552,806	85,893
Financial liabilities held for trading	1,835	40	1,795
Tax liabilities	1,733	1,706	27
Other liabilities	31,705	18,804	12,901
Post-employment benefits	5,426	5,605	(179)
Provisions for risks and charges	185	313	(128)
a) commitments and guarantees given	116	246	(130)
c) other provisions for risks and charges	69	67	2
Non-controlling interests	32,403	40,438	(8,035)
Equity attributable to the owners of the parent	221,186	222,264	(1,078)
TOTAL LIABILITIES AND EQUITY	1,933,520	1,842,133	91,387

INCOME STATEMENT
(in thousands of euros)

	1st half 2021	1st half 2020	Change	
			Absolute	Percentage
Net interest income	5,789	8,316	(2,527)	-30%
Net fee and commission income	25,824	23,394	2,430	10%
Dividends and similar income	722	1,081	(359)	
Net trading expense	1,181	(612)	1,793	
Net gain from disposal or repurchase of:	44	754	(710)	
a) financial assets at amortised cost	61	64	(3)	
b) financial assets at fair value through other comprehensive income	(17)	690	(707)	
Net losses on other financial assets and liabilities at fair value through profit or loss:	(329)	(418)	89	
b) other financial assets mandatorily measured at fair value	(329)	(418)	89	
Total income	33,231	32,515	716	2%
Net impairment losses for credit risk associated with:	(95)	(1,818)	1,723	
a) financial assets at amortised cost	(101)	(2,012)	1,911	
b) financial assets at fair value through other comprehensive income	6	194	(188)	
Net modification gains (losses)	(160)	(150)	(10)	
Net financial income	32,976	30,547	2,429	8%
Personnel expenses	(19,010)	(17,497)	(1,513)	
Other administrative expenses	(9,354)	(8,706)	(648)	
Net reversals of (accruals to) provisions for risks and charges:	130	(67)	197	
Depreciation and net impairment losses on property, equipment and investment property/Amortisation and net impairment losses on intangible assets	(1,790)	(1,815)	25	
Other operating income, net	2,528	2,512	16	
Operating costs	(27,496)	(25,573)	(1,923)	8%
Net loss on equity investments	408	(163)	571	
Profit from continuing operations before taxes	5,888	4,811	1,077	22%
Income taxes	(1,780)	(1,580)	(200)	
Profit from continuing operations after taxes	4,108	3,231	877	27%
Profit for the period attributable to non-controlling interests	1,346	1,168	178	
Profit for the period attributable to the owner of the parent	2,762	2,063	699	34%

A series of Group operating ratios at 30 June 2021 are shown below compared with the operating ratios of the same period of the previous year.

	1st half 2021 (%)	**1st half 2020 (%)**
Net interest income/Total income	17.42	25.58
Net fee and commission income/Total income	77.71	71.95
Cost/income ratio (Operating costs/Total income)	82.74	78.65
ROE (profit for the period/equity)	1.25	0.95
ROA (profit for the period/total assets)	0.14	0.11

GROUP EQUITY AND RECONCILIATION OF THE PARENT COMPANY'S AND THE GROUP'S EQUITY AND RESULTS

Equity attributable to the owners of the parent

The equity attributable to the owners of the parent at 30 June 2021, including the profit for the period, totalled 221,186 thousand euros and changed as follows:

Trend in Equity attributable to the owners of the parent
(in thousands of euros)

Equity at 31 December 2020	222,264
Dividend distribution	(4,443)
Change in valuation reserves	88
Changes in other reserves	515
Changes for sale of treasury shares	-
Profit for the period	2,762
Equity at 30 June 2021	221,186

Reconciliation of the Parent Company's and the Group's equity and results
(in thousands of euros)

	Equity	of which: profit for the period
Balances as the Parent Report at 30 June 2021	250,321	4,017
Results of the investee companies as per the separate financial statements:		
- fully-consolidated companies	2,153	2,153
- companies valued at equity	-	34
Positive differences from consolidation:		
- previous years	(2,677)	
Surplus over the book value related to:		
- fully-consolidated companies	28,887	
Elimination of dividends		(3,433)
Other consolidation adjustments:	(57,498)	(9)
Balance resulting from the Group's consolidated financial statements at 30 June 2021	221,186	2,762

MAIN TRANSACTIONS IN THE PERIOD, SIGNIFICANT SUBSEQUENT EVENTS AND OPERATING OUTLOOK

The main transactions and events in the half year

- On 10 February 2021, the Bank's Board of Directors examined and approved the Group's new Business Plan for the period 2021-2023.
- On 8 March 2021, Banca Finnat acquired from Covivio 7 S.p.A. (formerly Beni Stabili Siiq) - a shareholder of InvestiRE SGR with a stake of 17.89% - the entire equity investment (equal to 2,643 shares) at a price that takes account of the minority discount due to the illiquid nature of the stakes sold. At the same time, the Bank sold to E.N.P.A.F.- Ente Nazionale di Previdenza e di Assistenza Farmacisti 8.9% (equal to 1,315 shares) of the shares purchased, at the same price conditions. That transaction enabled E.N.P.A.F. to enter the capital of InvestiRE and, as a long-term shareholder of the asset management company, can contribute to the strategic development of InvestiRE. On conclusion of the transaction, the Bank increased its equity investment in InvestiRE SGR from 50.16% to 59.15%. The details of the transaction are illustrated in the "Documento informativo relativo ad operazioni di maggiore rilevanza con parti correlate" (Disclosure on related party transactions of greater significance) published on the Bank's website www.bancafinnat.it, Investor Relations /Corporate Governance/Documento informativo operazione con soggetto collegato e allegati section (in Italian) published on 21 January 2021.
- On 30 April 2021 the Bank's Ordinary Shareholder's Meeting:
  - approved the Separate Financial Statements and examined the Group Report at 31 December 2020;
  - taking account of that set out in the Recommendation on the distribution of dividends of the Bank of Italy of 16 December 2020, the Bank resolved to distribute the following dividends to Shareholders: 1) a first gross dividend of 0.00245 euros per share, which was paid from 26 May 2021 (ex dividend date 24 May 2021). That amount falls within the maximum permitted in compliance with the provisions of said recommendation; 2) a second dividend of 0.01085 euros per share, to be paid in the time window from 1 October 2021 to 31 January 2022, whose distribution, in compliance with the provisions of said recommendation, shall in any event be subject to the verification by the Board of Directors that there are no limits or conditions imposed by the European Central Bank and the Bank of Italy that could prevent or limit said distribution;
  - appointed the members of the Board of Directors and the Board of Statutory Auditors for the three-year period 2021-2023;
  - appointed Giampietro Nattino as Honorary Chairman for the three-year period 2021-2023;
  - appointed Salvatore Ferri as Chairman of the Board of Statutory Auditors for the three-year period 2021-2023;
  - approved the Remuneration Policy drawn up pursuant to Article 123-ter of Italian Legislative Decree no. 58/98.
- On 5 May 2021, the Bank's Board of Directors appointed Marco Tofanelli as Chairman, Lupo Rattazzi as Deputy Chairman, and Arturo Nattino as Managing Director. The new corporate officers are illustrated on page 6. The Board also appointed the members of the Remuneration Committee, Risk Committee, Appointments Committee and the Members of the Supervisory Body.
- On 14 June 2021, the Bank's Board of Directors, with a position opinion from the Appointments Committee and approval of the Board of Statutory Auditors, resolved to appoint via co-optation Cavaliere di Lavoro Giampietro Nattino as Executive Director, replacing Ermanno Boffa, who resigned on 19 May 2021. At the same meeting, the Board established the Group Management and Coordination Committee, which will assist the Managing Director and General Manager in coordinating the business initiatives of the Bank and the Group, and in the steering and coordination of the investees.

COVID-19

As regards the health emergency situation deriving from the COVID-19 pandemic, it should be noted that in the first few days of January 2021 there was a general deterioration of the epidemiological situation in the country. In this context, on 14 January the Council of Ministers with Italian Law Decree no. 2 extended the state of emergency linked to the COVID-19 pandemic expiring on 31 January to 30 April 2021; on the same date, the Government also issued a new Prime Ministerial Decree with anti-contagion measures in force from 16 January to 5 March 2021. The Prime Ministerial Decree set limits on travel between regions and confirmed the division of the country into red, orange and yellow zones, based on the contagion indexes, confirming all the measures already in place and expiring at the end of January. In order to manage and reduce the spread of the pandemic, in the first few days of January the first phase of the vaccination campaign began. The campaign, started on 27 December 2020 ("vaccine day") after the approval by the EMA (European Medicines Agency) of the first COVID vaccine, continued following the directives indicated in the National Vaccination Plan drawn up by the Ministry of Health. On 2 March, the Government issued a new Prime Ministerial Decree that dictated new rules and confirmed the previous ones in force from 6 March to 6 April. The restrictive measures enacted included the closure of all schools of all levels in the red zones.

On 21 April 2021, in light of the comforting scientific data on the epidemic and the trend in the vaccination campaign, the Government approved the Reopening Decree. That Law Decree, in force from 26 April to 31 July, introduced urgent measures for the gradual restarting of economic and social activities in compliance with the need to contain the spread of the COVID-19 pandemic. The text of the Decree outlines a schedule for gradually removing the restrictions introduced in the previous months, with scheduled gradual reopenings of bars, restaurants, gyms and cultural activities. The various measures set out included the introduction throughout Italy of "COVID-19 Green Passes" for the purpose of certifying that an individual has been vaccinated or has healed from the infection, or that they have had a quick molecular or antigen test with a negative result. The pass allows people to move between regions, even those assigned different colours.

The Decree also extended to 31 July the state of health emergency that was expiring on 30 April.

In June, there was a significant improvement in the epidemiological situation of the entire country, mainly due to the achievement of significant vaccination coverage. Starting on 28 June, with an order signed by the Minister of Health, the entire country was declared a "white zone".

At the end of June, vaccination doses administered reached 50 million. As a result the average rate of positivity calculated on symptomatic cases remained steadily below the epidemic threshold.

Despite the situation described above, the measures implemented by the Bank and the other Group companies during the entire pandemic with regard to the organisation of work, workplace safety, information and support to customers guaranteed business continuity vis-à-vis counterparties and the market, always ensuring the maximum efficiency of the service offered to customers both in branch and through remote channels.

Significant events occurring after the end of the period

After the end of the first half of 2021 and up to the date on which this Half-Yearly Financial Report was prepared, no significant events or factors that could affect the financial position, capital position, or results of operations of the Group emerged.

However, it should be noted that:

- An inspection by the Bank of Italy on the entire Banking Group was concluded on 3 July 2021. The routine inspection, which begun on 6 April 2021, was specifically focused on the governance of the Group and the operating and reputational risk and lending activities of the Bank. The opinion of the Supervisory Authority on the result of the inspection is expected by the end of September.
- On 14 July 2021, as decided by the Board of Directors on 14 June 2021, the Bank undertook to irrevocably subscribe units of the "BFE Revalue" real estate fund for a total value of 2 million euros, to be finalised through

payment in cash. That fund, managed by the subsidiary InvestiRE SGR S.p.A., manages the real estate lodged as collateral for loans subject to foreclosure, with targeted actions mainly for the purpose of participating in auctions and stimulating market demand, for the purpose of favouring the settlement of unsatisfied loans, supporting the value of assets with the potential to increase in value outside of the foreclosure procedure. The fund will also manage the properties contributed to the Bank as a result of their assignment to the Bank following the positive outcome of pending foreclosure procedures.

COVID-19

In the initial months of the second half, there was continuous, steady improvement in the epidemiological situation of the entire country, due to the season and the ever-increasing vaccination coverage.
The Bank's Coronavirus Emergency Committee continues to constantly monitor the evolution of the pandemic - also due to the spread in Italy of the variants of the virus, specifically the delta variant - in order to provide instructions also to the Group's subsidiaries, to handle all situations that could arise.

Operating outlook

The forecasts for the year 2021, drawn up at the beginning of the year by the Bank and the other Group Companies, were prepared taking into account the persistence of the COVID-19 epidemiological emergency situation but also the benefits deriving from the economic policy measures adopted at national and international level and a consequent resolution of the crisis generated by the pandemic starting from the end of the current year. We expect to confirm for 2021 the levels of profitability and capitalisation of the Group recorded in 2020.

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION
(in thousands of euros)

	Assets	30.06.2021	31.12.2020
10.	Cash and cash equivalents	867	711
20.	Financial assets at fair value through profit or loss	33,154	27,867
	a) financial assets held for trading	8,331	6,847
	c) other financial assets mandatorily measured at fair value	24,823	21,020
30.	Financial assets at fair value through other comprehensive income	291,531	341,825
40.	Financial assets at amortised cost	1,515,133	1,378,338
	a) loans and receivables with banks	147,285	124,563
	b) loans and receivables with customers	1,367,848	1,253,775
70.	Equity investments	11,068	10,694
90.	Property, equipment and investment property	19,946	17,899
100.	Intangible assets	31,168	31,170
	of which:		
	- goodwill	28,129	28,129
110.	Tax assets	9,716	10,319
	a) current	651	809
	b) deferred	9,065	9,510
130.	Other assets	20,937	23,310
	Total assets	1,933,520	1,842,133

STATEMENT OF FINANCIAL POSITION
(in thousands of euros)

	Liabilities and equity	30.06.2021	31.12.2020
10.	Financial liabilities at amortised cost	1,639,047	1,552,963
	a) due to banks	348	157
	b) due to customers	1,638,699	1,552,806
20.	Financial liabilities held for trading	1,835	40
60.	Tax liabilities	1,733	1,706
	a) current	477	487
	b) deferred	1,256	1,219
80.	Other liabilities	31,705	18,804
90.	Post-employment benefits	5,426	5,605
100.	Provisions for risks and charges:	185	313
	a) commitments and guarantees given	116	246
	c) other provisions for risks and charges	69	67
120.	Valuation reserves	7,715	7,627
150	Reserves	152,192	151,029
170.	Share capital	72,576	72,576
180.	Treasury shares (-)	(14,059)	(14,059)
190.	Non-controlling interests (+/-)	32,403	40,438
200.	Profit for the period (+/-)	2,762	5,091
	Total liabilities and equity	1,933,520	1,842,133

INCOME STATEMENT
(in thousands of euros)

	Items	1st half 2021	1st half 2020
10.	Interest and similar income	7,345	9,484
20.	Interest and similar expense	(1,556)	(1,168)
30.	**Net interest income**	**5,789**	**8,316**
40.	Fee and commission income	26,959	24,734
50.	Fee and commission expense	(1,135)	(1,340)
60.	**Net fee and commission income**	**25,824**	**23,394**
70.	Dividends and similar income	722	1,081
80.	Net trading expense	1,181	(612)
100.	Net gain from disposal or repurchase of:	44	754
	a) financial assets at amortised cost	61	64
	b) financial assets at fair value through other comprehensive income	(17)	690
110.	Net losses on other financial assets and liabilities at fair value through profit or loss	(329)	(418)
	b) other financial assets mandatorily measured at fair value	(329)	(418)
120.	**Total income**	**33,231**	**32,515**
130.	Net impairment losses for credit risk associated with:	(95)	(1,818)
	a) financial assets at amortised cost	(101)	(2,012)
	b) financial assets at fair value through other comprehensive income	6	194
140.	Net modification gains (losses)	(160)	(150)
150.	**Net financial income**	**32,976**	**30,547**
190.	Administrative expenses:	(28,364)	(26,203)
	a) personnel expenses	(19,010)	(17,497)
	b) other administrative expenses	(9,354)	(8,706)
200.	Net reversals of (accruals to) provisions for risks and charges:	130	(67)
	a) commitments and guarantees given	130	-
	b) other	-	(67)
210.	Depreciation and net impairment losses on property, equipment and investment property	(1,699)	(1,697)
220.	Amortisation and net impairment losses on intangible assets	(91)	(118)
230.	Other operating income, net	2,528	2,512
240.	**Operating costs**	**(27,496)**	**(25,573)**
250.	Net loss on equity investments	408	(163)
290.	**Profit from continuing operations before taxes**	**5,888**	**4,811**
300.	Income taxes	(1,780)	(1,580)
310.	**Profit from continuing operations after taxes**	**4,108**	**3,231**
330.	**Profit for the period**	**4,108**	**3,231**
340.	Profit for the period attributable to non-controlling interests	1,346	1,168
350.	**Profit for the period attributable to the owner of the parent**	**2,762**	**2,063**

STATEMENT OF COMPREHENSIVE INCOME
(in thousands of euros)

	Items	1st half 2021	1st half 2020
10.	Profit for the period	4,108	3,231
	Other comprehensive income after taxes that will not be reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income	40	(89)
70.	Defined benefit plans	119	(48)
90.	Share of valuation reserves of equity-accounted investments	(34)	20
	Other comprehensive income after taxes that will be reclassified to profit or loss		
140.	Financial assets (other than equity instruments) at fair value through other comprehensive income	51	(819)
170.	Total other comprehensive income after tax	176	(936)
180.	Comprehensive income (Items 10+170)	4,284	2,295
190.	Comprehensive income attributable to non-controlling interests	1,434	1,143
200.	Comprehensive income attributable to the owners of the parent	2,850	1,152

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2021
(in thousands of euros)

				Allocation of previous period's profit		Changes during the period									Equity at 30/06/2021		
						Changes in reserves	Equity transactions							Comprehensive income for the period 1 January - 30 June 2021			
	Balances at 31/12/2020	Change in opening balances	Balances at 01/01/2021	Reserves	Dividends and other allocations		New share issue	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	*Stock options*	Changes in equity investments		**Total**	**Owners of the parent**	**Non-controlling interests**
Share capital:	72,576	-	72,576	-	-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
a) ordinary shares	72,576	-	72,576	-	-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	188,995	-	188,995	3,335	-	(8,954)	-	-	-	-	-	-	-	-	183,376	152,192	31,184
a) income-related	127,900	-	127,900	3,825	-	(4,439)	-	-	-	-	-	-	-	-	127,286	118,954	8,332
b) other	61,095	-	61,095	(490)	-	(4,515)	-	-	-	-	-	-	-	-	56,090	33,238	22,852
Valuation reserve	7,412	-	7,412	-	-	-	-	-	-	-	-	-	-	176	7,588	7,715	(127)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(14,059)	-	(14,059)	-	-	-	-	-	-	-	-	-	-	-	(14,059)	(14,059)	-
Profit for the period	7,778	-	7,778	(3,335)	(4,443)	-	-	-	-	-	-	-	-	4,108	4,108	2,762	1,346
Equity	262,702	-	262,702	-	(4,443)	(8,954)	-	-	-	-	-	-	-	4,284	253,589	221,186	32,403
of which: attributable to the owners of the parent	222,264	-	222,264	-	(4,443)	515	-	-	-	-	-	-	-	2,850	221,186		
of which: attributable to non-controlling interests	40,438	-	40,438	-	-	(9,469)	-	-	-	-	-	-	-	1,434	32,403		

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020
(in thousands of euros)

				Allocation of previous period's profit		Changes during the period									Equity at 30/06/2020		
						Changes in reserves	Equity transactions							Comprehensive income for the period 1 January - 30 June 2020			
	Balances at 31/12/2019	Change in opening balances	Balances at 01/01/2020	Reserves	Dividends and other allocations		New share issue	Repurchase of treasury shares	Extraordinary dividend distribution	Change in equity instruments	Derivatives on treasury shares	*Stock options*	Changes in equity investments		**Total**	**Owners of the parent**	**Non-controlling interests**
Share capital:	72,576	-	72,576	-	-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
a) ordinary shares	72,576	-	72,576	-	-	-	-	-	-	-	-	-	-	-	72,576	72,576	-
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:	188,583	-	188,583	3,502	-	(3,060)	-	-	-	-	-	-	-	-	189,025	151,050	37,975
a) income-related	127,154	-	127,154	3,845	-	(3,102)	-	-	-	-	-	-	-	-	127,897	117,816	10,081
b) other	61,429	-	61,429	(343)	-	42	-	-	-	-	-	-	-	-	61,128	33,234	27,894
Valuation reserve	5,343	-	5,343	-	-	-	-	-	-	-	-	-	-	(936)	4,407	4,686	(279)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(14,059)	-	(14,059)	-	-	-	-	-	-	-	-	-	-	-	(14,059)	(14,059)	-
Profit for the period	3,502	-	3,502	(3.502)	-	-	-	-	-	-	-	-	-	3,231	3,231	2,063	1,168
Equity	255,945	-	255,945	-	-	(3,060)	-	-	-	-	-	-	-	2,295	255,180	216,316	38,864
of which: attributable to the owners of the parent	215,134	-	215,134	-	-	30	-	-	-	-	-	-	-	1,152	216,316		
of which: attributable to non-controlling interests	40,811	-	40,811	-	-	(3,090)	-	-	-	-	-	-	-	1,143	38,864		

STATEMENT OF CASH FLOWS (indirect method)
(in thousands of euros)

	Amount	
	30.06.2021	**31.12.2020**
A. OPERATING ACTIVITIES		
1. Operations	(2,272)	20,462
- profit for the period (+/-)	2,762	5,091
- net losses on financial assets held for trading and on other financial assets and liabilities at fair value through profit or loss (-/+)	(269)	222
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses for credit risk (+/-)	95	5,162
- amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets (+/-)	1,824	3,723
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	631	1,762
- net premiums not received (-)	-	-
- other insurance income/expenses not received/paid (-/+)	-	-
- taxes, duties and tax credits not liquidated (+/-)	(1,780)	(3,787)
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups net of tax effect (+/-)	-	-
- other adjustments (+/-)	(5,535)	8,289
2. Cash generated by/used for financial assets	(89,184)	244,425
- financial assets held for trading	(874)	51,025
- financial assets at fair value	-	-
- other financial assets mandatorily measured at fair value	(4,144)	422
- financial assets at fair value through other comprehensive income	50,391	27,178
- financial assets at amortised cost	(136,896)	164,193
- other assets	2,339	1,607
3. Cash generated by/used for financial liabilities	96,206	(264,988)
- financial liabilities at amortised cost	82,419	(263,027)
- financial liabilities held for trading	1,795	(112)
- financial liabilities at fair value	-	-
- other liabilities	11,992	(1,849)
Net cash flows generated by/used in operating activities	4,750	(101)
B. INVESTING ACTIVITIES		
1. Cash generated by	-	333
- disposals of equity investments	-	333
- dividends from equity investments	-	-
- disposals of property, equipment and investment property	-	-
- disposals of intangible assets	-	-
- disposals of subsidiaries and business units	-	-
2. Cash used for	(151)	(220)
- purchases of equity investments	-	-
- purchases of property, equipment and investment property	(62)	(101)
- purchases of intangible assets	(89)	(119)
- purchases of subsidiaries and business units	-	-
Net cash flows generated by/used in investing activities	(151)	113
C. FINANCING ACTIVITIES		
- issues/repurchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- dividend and other distributions	(4,443)	-
- sale/purchase of subsidiaries' equity instruments	-	-
Net cash flows used in financing activities	(4,443)	-
NET CASH FLOWS FOR THE PERIOD	156	12

Key:
(+) generated
(-) used

RECONCILIATION	**30.06.2021**	**31.12.2020**
FINANCIAL STATEMENT ITEMS		
Cash and cash equivalents at the beginning of the period	711	699
Total net cash flows for the period	156	12
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at the end of the period	867	711

NOTES TO THE FINANCIAL STATEMENTS

The sections of the notes to the financial statements applicable to the Group are shown below.

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Section 2 - General financial reporting principles
Section 3 - Scope and methods of consolidation
Section 4 - Subsequent events
Section 5 - Other information
A.2 – Information on the main financial statement items
A.3 – Information on transfers between portfolios of financial assets
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A.5 – Information on day one profit/loss

Part B – Information on the statement of financial position
ASSETS
Section 1 - Cash and cash equivalents - Item 10
Section 2 - Financial assets at fair value through profit or loss - Item 20
Section 3 - Financial assets at fair value through other comprehensive income - Item 30
Section 4 - Financial assets at amortised cost - Item 40
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Section 9 - Property, equipment and investment property - Item 90
Section 10 - Intangible assets - Item 100
Section 11 - Tax assets and liabilities - Items 110 (assets) and 60 (liabilities)
Section 13 - Other assets - Item 130
LIABILITIES
Section 1 - Financial liabilities at amortised cost - Item 10
Section 2 - Financial liabilities held for trading - Item 20
Section 6 - Tax liabilities - Item 60
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Section 9 - Post-employment benefits - Item 90
Section 10 - Provisions for risks and charges - Item 100
Section 13 - Group equity – Items 120, 150, 170 and 180
Section 14 - Non-controlling interests – Item 190
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Part C – Information on the Income Statement
Section 1 - Interest - Items 10 and 20
Section 2 - Fees and commissions - Items 40 and 50
Section 3 - Dividends and similar income - Item 70
Section 4 - Net trading expense - Item 80
Section 6 - Net gain from disposal or repurchase - Item 100
Section 7 - Net losses on other financial assets and liabilities at fair value through profit or loss - Item 110

Section 8 - Net impairment losses for credit risk - Item 130
Section 9 - Net modification gains (losses) - Item 140
Section 12 - Administrative expenses - Item 190
Section 13 - Net reversals of (accruals to) provisions for risks and charges - Item 200
Section 14 - Depreciation and net impairment losses on property, equipment and investment property - Item 210
Section 15 - Amortisation and net impairment losses on intangible assets - Item 220
Section 16 - Other operating income, net - Item 230
Section 17 - Net loss on equity investments - Item 250
Section 21 - Income taxes - Item 300
Section 23 - Profit for the period attributable to non-controlling interests – Item 340
Section 25 - Earnings per share

Part F – Information on the consolidated equity
Section 1 - Consolidated equity
Section 2 – Own funds and capital ratios

Part H – Related party transactions

Part L – Segment reporting
A – Primary reporting
B – Secondary reporting

Significant non-recurring operations and positions or transactions deriving from atypical and/or unusual operations

Part A – Accounting policies

A.1 – General Information

Section 1 - Declaration of compliance with international accounting standards

The condensed, consolidated half-year financial statements at 30 June 2021 of the Banca Finnat Euramerica Group have been prepared applying the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued, as amended, by the International Accounting Standard Board (IASB), as endorsed by the European Commission, in force at 30 June 2021, in accordance with the procedures laid down in Regulation EC no. 1606/02.
The international accounting standards have been applied taking into account, where necessary, the "Framework for the Preparation and Presentation of Financial Statements" (the Framework).
For further guidance on the application of the new accounting standards, the Company has also referred to the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC), as well as the documents issued to support the introduction of the IAS / IFRS in Italy by the Organismo Italiano di Contabilità (OIC) - the Italian Accounting Board - and the documents produced by the Italian Bankers' Association (ABI).
If no standard or applicable interpretation applied specifically to a transaction, other event or condition, reference was made to the provisions and guidelines contained in the standards and interpretations dealing with similar and related issues, taking into account the Framework provisions.

Section 2 - General financial reporting principles

The Condensed Consolidated Half-Year Financial Statements at 30 June 2021 have been drawn up in condensed format, in compliance with IAS 34 “Interim Financial Reports”. Therefore, the Financial Statements do not contain all the information required by the Annual Report, and must be read together with the Annual Report drawn up for the year ended at 31 December 2020, drawn up in compliance with the IFRSs issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission as per Regulation no. 1606/2002.

These Condensed Consolidated Half-Year Financial Statements were prepared in accordance with the provisions laid down by Bank of Italy Circular no. 262 of 22 December 2005 "Banks' financial statements: layouts and preparation" - update 6 of 30 November 2018.

In drafting the Condensed Consolidated Half-Year Financial Statements account was taken of the additions to the provisions of the aforementioned Circular, communicated by the Bank of Italy with letter Prot. 1676157/20 of 16 December 2020, concerning the impacts of COVID-19 and the measures in support of the economy and amendments to the IAS/IFRS. These additions are intended to provide the market with information on the effects that COVID-19 has produced on risk management strategies, objectives and policies, as well as on the Group's economic and equity situation.
Account was also taken of the interpretative and support documents for the application of the accounting standards in relation to the impacts of COVID-19, issued by the European regulatory and supervisory bodies and by standard setters, aimed at clarifying the methods of application of the IAS / IFRS in the current pandemic environment (ESMA Notices, EBA guidelines and letter from the ECB dated 4 December 2020).

The Condensed Consolidated Half-Year Financial Statements are composed of:

the Statement of Financial Position;

the Income Statement;

the Statement of Comprehensive Income;
the Statement of Changes in Equity;
the Statement of Cash Flows;
the Notes to the Consolidated Financial Statements.

As envisaged by IAS 34, the consolidated half-year data at 30 June 2021 were compared with the corresponding statement of financial position and income statement data. In particular, the Statement of Financial Position was compared with the data at 31 December 2020, while the Income Statement and Statement of Comprehensive Income for the first half of 2021 were compared with the data of the same period of the previous year.

The accounting standards applied to prepare these Condensed Consolidated Half-Year Financial Statements have remained unchanged with respect to those applied to prepare the Group Report for 2020, with the exception of that indicated in Section "A.2. Information on the main financial statement items".

The Condensed Consolidated Half-Year Financial Statements were prepared in compliance with IAS 1, on a going concern basis, on an accruals basis and in compliance with the consistency of presentation and classification of financial statement items. The assets and liabilities, income and expenses have not been offset, except where required or allowed by a standard or interpretation. The cost of inventory and of financial instruments was calculated using the weighted average daily cost method, as envisaged by IAS 2, paragraph 25.
In compliance with Article 5 of Italian Legislative Decree no. 38 of 28 February 2005, the Condensed Consolidated Half-Year Financial Statements were prepared using the euro as the presentation currency. Regarding the contents of the tables, all figures are expressed in thousands of euros, unless otherwise specified.

The Condensed Consolidated Half-Year Financial Statements of Banca Finnat Euramerica are subject to limited audit by KPMG S.p.A., whose attached Report is explicitly referred to.

As required by IAS 8, the Regulations endorsed by the European Commission that apply from 1 January 2021 onwards are shown below:

- Regulation no. 25/2021 – Interest Rate Benchmark Reform - phase 2 - (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

Section 3 - Scope and methods of consolidation

Investments in exclusively-controlled subsidiaries

Company name	Place of business	Registered office	Type of relationship (1)	Investment relationship		% Voting rights % (2)
				Investor company	% stake	
1. InvestiRE SGR S.p.A.	Rome	Rome	1	Banca Finnat	59.15	59.15
2. Finnat Fiduciaria S.p.A.	Rome	Rome	1	Banca Finnat	100.00	100.00
3. Finnat Gestioni S.A.	Lugano	Lugano	1	Banca Finnat	70.00	70.00
4. Natam Management Company S.A.	Luxembourg	Luxembourg	1	Banca Finnat	100.00	100.00

Key:
(1) Type of relationship:
1 = majority of voting rights in the ordinary shareholders' meeting; 2 = dominant influence in the ordinary shareholders' meeting; 3 = agreements with other shareholders; 4 = other forms of control; 5 = unitary management pursuant to art. 39, paragraph 1 of Italian Legislative Decree no. 136/2015; 6 = unitary management pursuant to art. 39, paragraph 2 of Italian Legislative Decree no. 136/2015.
(2) Availability of votes in the ordinary shareholders' meeting, distinguishing between actual and potential.
The percentage of voting rights in the shareholders' meeting is actual.

Significant valuations and assumptions in determining the scope of consolidation

The scope of consolidation includes:

- the separate financial statements of the Parent Company Banca Finnat Euramerica S.p.A. and of the subsidiaries, consolidated on a line-by-line basis;
- the financial statements of associated companies and joint ventures or the last financial report available at the time of preparation of the consolidated financial statements, stated at equity.

The scope of consolidation includes all subsidiary companies, regardless of their legal status, and of whether they are going concerns or being wound up.

The scope of consolidation has not changed compared to the financial statements for the year ended 31 December 2020.
However, it should be noted that the Bank increased its equity investment in the subsidiary InvestiRE SGR S.p.A. by 8.99%, from 50.16% to 59.15%.

The details of the transaction are illustrated in the "Documento informativo relativo ad operazioni di maggiore rilevanza con parti correlate" (Disclosure on related party transactions of greater significance) published on the Bank's website www.bancafinnat.it, Investor Relations /Corporate Governance/Documento informativo operazione con soggetto collegato e allegati section (in Italian).

Subsidiaries

Subsidiaries are companies whose financial and operating policies the Group directly or indirectly determines and, therefore, the Group can benefit from their activities.
When determining control, account should also be taken of the companies in which Banca Finnat directly or indirectly holds more than half of the voting rights. The assessment of the voting rights shall also include the "potential" rights, which can be consistently exercised or converted into effective voting rights at any time.
The financial statements of subsidiaries are consolidated from the date on which the parent company obtains control over the company until the date on which that control ceases.

Associated companies and joint ventures

Associated companies are entities whose financial and operating policies are significantly influenced by the Group, but which it does not control, either jointly or separately; they are included in the consolidation at equity. As required by IAS 28, equity interests classified as joint ventures are also consolidated at equity.
The profit or losses of the Group are recorded in the Income Statement from the date on which the significant influence started and up to the date on which it ceases.
If the loss by the Group exceeds the book value of the equity investment then the value of the equity investment is derecognised and, if the investing company is committed to fulfilling legal or implicit obligations of the investee company, or in any event to covering its losses, any surplus is recognised in specific provisions under liabilities.

Line-by-line consolidation

All the financial statements of the investee companies used to prepare the consolidated financial statements were drawn up at 30 June and, if necessary, adjusted to ensure the uniform application of the same accounting standards applied by the Parent Company.
The assets and liabilities, expenses and income of the companies consolidated according to the line-by-line method are fully recognised in the consolidated financial statements ("line-by-line" recognition of the statement of financial position and income statement aggregates of the subsidiaries), after the recording of any non-controlling interests in specific items; the book value of the equity investments is written off for the corresponding fraction of the equity of the investee companies, recording the single asset and liability items (including the provisions for risks and charges) at their current value on the date of acquisition of control. Any positive difference resulting from the said writing off is recorded as goodwill, under the asset item "Intangible assets", at the date of the first consolidation and, thereafter, among the equity reserves. Any negative difference is recorded in the Income Statement.
All intra-group balances (assets, liabilities, revenue and costs) and transactions, including any unrealised profit or loss resulting from intra-group transactions, are written off minus their theoretical tax effect, if significant. The Group's share of unrealised profit and loss with associated companies is written off.
Unrealised losses are written off only if they represent impairment losses.
The presentation currency of the Group's financial statements is the euro, which is also the functional currency of all the companies included in the Consolidated Financial Statements.
Non-monetary assets and liabilities in foreign currencies, recorded at historical cost, are translated using the exchange rate at the date on which the transaction was originally recorded.
The financial statements of the consolidated companies expressed in foreign currencies were translated according to the exchange rate at the reporting date for the assets and liabilities; for the income statement items, the average exchange rates in the period were used, and the historical exchange rates for the equity items. The differences between the values of the equity items at the historical exchange rates and those deriving from the translation thereof at the current exchange rates are recorded in an equity item called "Other reserves”.

Consolidation at equity

This method provides for the initial recording of the investee company at cost. The book value is then periodically adjusted to take into account changes in the investee company's equity. The pro rata allocation of the profit for the period of the investee company is recorded in a specific item of the Income Statement. The equity of the associates and joint ventures is inferred from the latest available financial statements or from the latest financial report available at the time of preparation of the consolidated financial statements.

The difference - if any - between the book value and the recovery value of the equity investment, estimated based on the present value of the future cash flows generated by the investment itself, is recorded in the Income Statement.

Section 4 - Subsequent events

After the end of the first half of 2021 and up to the date on which this Half-Yearly Financial Report was prepared, no significant events or factors that could affect the financial position, capital position, or results of operations of the Group emerged.
However, it should be noted that:

- An inspection by the Bank of Italy on the entire Banking Group was concluded on 3 July 2021. The routine inspection, which begun on 6 April 2021, was specifically focused on the governance of the Group and the operating and reputational risk and lending activities of the Bank. The opinion of the Supervisory Authority on the result of the inspection is expected by the end of September.
- On 14 July 2021, as decided by the Board of Directors on 14 June 2021, the Bank undertook to irrevocably subscribe units of the "BFE Revalue" real estate fund for a total value of 2 million euros, to be finalised through payment in cash. That fund, managed by the subsidiary InvestiRE SGR S.p.A., manages the real estate lodged as collateral for loans subject to foreclosure, with targeted actions mainly for the purpose of participating in auctions and stimulating market demand, for the purpose of favouring the settlement of unsatisfied loans, supporting the value of assets with the potential to increase in value outside of the foreclosure procedure. The fund will also manage the properties contributed to the Bank as a result of their assignment to the Bank following the positive outcome of pending foreclosure procedures.

COVID-19

In the initial months of the second half, there was continuous, steady improvement in the epidemiological situation of the entire country, due to the season and the ever-increasing vaccination coverage.

The Bank's Coronavirus Emergency Committee continues to constantly monitor the evolution of the pandemic - also due to the spread in Italy of the variants of the virus, specifically the delta variant - in order to provide instructions also to the Group's subsidiaries, to handle all situations that could arise.

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Section 5 - Other information

<u>Risks, uncertainties and impacts of the COVID-19 epidemic</u>

In compliance with the Bank of Italy's communication dated 16 December 2020 "Additions to the provisions of Circular no. 262/2005 concerning the impacts of COVID-19 and measures to support the economy and amendments to the IAS /IFRS" information is provided below on the effects that the COVID-19 epidemic has produced on the strategies, objectives and policies of risk management, as well as on the Group's income statement and financial position.

Risks and uncertainties

In compliance with the IAS /IFRSs, the Bank and the other Group companies carry out valuations, estimates and assumptions to support the application of the accounting standards and to determine the amounts of the assets, liabilities, costs and revenue reported in the consolidated financial statements, as well as the disclosure relating to contingent assets and liabilities.
The estimates and relevant assumptions are based on previous experience and on other factors considered reasonable in the case in question and were adopted to estimate the book value of the assets and liabilities that cannot be easily inferred from other sources.
In particular, estimate processes were adopted in support of the book values of some of the most significant valuation items recognised in the Condensed Consolidated Half-Year Financial Statements at 30 June 2021, as set forth in the accounting standards and reference regulations described above. These processes are based largely on estimates of future recoverability of the values booked to the financial statements according to the rules dictated by the regulations in force and were carried out on the basis of the going concern assumption, i.e. excluding the assumption of forced settlement of the items subject to valuation.
The processes adopted confirm the book values at 30 June 2021. The parameters and information used to verify the values mentioned earlier are therefore greatly influenced by the factors which could be subject to rapid changes that are currently not foreseeable, so that subsequent effects on future book values cannot be ruled out.
The estimates and assumptions are reviewed regularly. Any changes resulting from these revisions are booked in the period in which the revision is carried out, if the same concerns solely that period. In the event in which the revision concerns both current and future periods, the change is booked in the period in which the revision is carried out in the relative future periods.
The main cases where the use of subjective evaluations by Management are most requested are:

- quantifying losses due to impairment of loans and, in general, other financial assets and equity investments;
- using valuation models for recognising the fair value of financial instruments not listed in active markets;
- estimating and assuming the recoverability of deferred tax assets;
- estimating the recoverable value of goodwill;
- estimating any provisions for risks and charges.

Going concern assumption

In accordance with the requirements of the joint Bank of Italy, CONSOB and ISVAP document no. 2 of 6 February 2009 and paragraphs 25 and 26 of IAS 1, the Directors of the Bank, in the current COVID-19 epidemiological emergency, have taken into account with the utmost caution and attention - for the purpose of preparing these consolidated financial statements - a series of financial, management and other indicators, in order to identify the existence of any circumstance that may be relevant for assessing the compliance with the 'going concern' requirement.

As a result of the tests conducted on the realisable value of the assets and in consideration of the reliability and results of the risk measurement systems, the Directors of the Bank are confident there is no evidence that could cast doubts on the Group continuing as a going concern, even when taking full account of the impacts of COVID-19. Given the size of the Group's assets, the substantial financial resources owned and the composition, quality and liquidity of the portfolio of financial assets, the Directors of the Bank have prepared these Condensed Consolidated Half-Year Financial Statements in the full conviction that the Group meets the requirements of a going concern in the foreseeable future.

Methods of application of the IAS/IFRSs

The Bank and the other Group companies paid particular attention to compliance with accounting and prudential rules as well as the correct application of international accounting standards, also taking into account the aforementioned communication from the Bank of Italy. From the analysis performed - focusing in particular on IFRS 9 and IAS 36, IFRS 15 and IFRS 16, summarised below - no particularly critical issues were identified as concerns for the drafting of these Condensed Half-Year Financial Statements.

IFRS 9 – Financial Instruments - *IAS* 36 – Impairment of Assets

On the premise that the Bank and the other Group companies have never modified their business models, the following issues were specifically analysed:

- Increase in credit risk.
  Taking into account the intervention of ESMA of 25 March and of the IFRS Foundation of 27 March, the Bank did not consider the economic support measures put into place by the government to support borrowers in response to COVID-19 as measures that automatically trigger an SICR (significant increase in credit risk); instead, it assessed any increase in credit risk using reasonable and supportable current and forward-looking information at the date on which this Financial Report was drafted.
  It should also be highlighted that the moratoriums granted to performing customers to handle the COVID-19 emergency, in line with the provisions of the guidelines issued by the European Banking Authority (EBA/GL/2020/02) on 2 April 2020, did not entail the classification of customer exposures as forborne performing exposures, since the application of a general legislative moratorium, adopted as a specific response to the current economic situation caused by the COVID-19 pandemic, is not a forbearance measure and therefore should not be considered a restructuring as a result of financial difficulty. For those positions, the calculation of days past due was therefore suspended.

- *Staging allocation* – Significant increase in credit risk – new quantitative regulation.
  The accounting standards adopted in drawing up the Half-Yearly Financial Report at 30 June 2021 have remained unchanged with respect to those applied to prepare the 2020 Annual Report, with the exception of the change to paragraph "6-Methods for determining impairment losses" specifically regarding the identification of a "significant increase" in credit risk.
  Specifically, starting in the current year, the outsourcer that provides the operating system the Bank uses made an update to the rating model, which also introduces the new definition of default set out in Article 178 of Regulation no. 575/2013 (CRR) adopted by the Bank and consistent with the definition of impaired financial assets set out in IFRS 9. The update to the rating model made resulted in several changes to the quantitative criteria established by the Bank's current policy to identify a "significant increase" in credit risk, exclusively as regards the staging method defined for the loans portfolio.
  Specifically, in order to verify a significant deterioration in credit quality and the resulting transfer of the financial instrument from Stage 1 to Stage 2, the quantitative criterion based on the verification of deterioration of the

counterparties' ratings has been replaced with a new criterion based on the verification of the change in the Probability of Default (PD) of the credit position. The changes in PD are calibrated on the single rating classes and prudently considered the evolution of the curve, which is monotonic (the curve grows as the rating class worsens). The Bank has identified the thresholds for change in PD which, when reached, the financial instrument moves from Stage 1 to Stage 2, differentiated by type of customer (retail and corporate) and by rating class, as shown below:

Changes in Probability Of Default

Rating class	Retail customers	Corporate customers
AAA	250%	300%
AA	250%	300%
A	250%	300%
BBB	250%	300%
BB	200%	200%
B	200%	100%
CCC	50%	80%
CC	30%	30%
C	30%	30%

- Measurement of expected credit losses.
  With regard to measuring expected losses on credit exposures, the competent authorities have emphasised that the deterioration of the economic situation triggered by the COVID-19 pandemic must be considered, but not by following a mechanistic, while exploiting the margins of flexibility set out in IFRS 9 for situations of uncertainty.
  Considering the context of extreme uncertainty and the lack of reasonable, supportable evidence regarding macroeconomic forecasts, expected losses must be estimated avoiding excessively pro-cyclical assumptions, given greater weight to historic information rather than long-term macroeconomic forecasts.
  To determine the collective write-down of performing positions (on- and off-balance sheet) at 30 June 2021, Banca Finnat used the consortium model developed by the IT outsourcer as, in accordance with IFRS 9, it takes into account the updating of the historical series of risk parameters and macroeconomic factors based on the latest available forecasts. The estimation model adopted incorporates the macroeconomic scenarios implemented by Prometeia. To estimate risk parameters, and specifically as regards forward looking information, the forecasts used for the macroeconomic variables considered the improvement in the actual macroeconomic scenario resulting from the introduction of support measures to businesses consisting of State guarantees on bank loans, as well as the gradual easing of anti-COVID measures, nationally and internationally, correlated to both the gradual progress in the vaccination campaign and the decrease in the number of infections and hospitalisations. As part of the valuation process, three scenarios are identified (Best/Base/Worst) to which the following weights were assigned in the previous years: 5/90/5.
  Nonetheless, considering the current unusual situation, in line with the provisions of the Supervisory Bodies to encourage banks to keep using suitably prudent approaches, Banca Finnat decided to change the above weights, assigning a weight of 90 to the Worst scenario and a weight of 5 to the Base scenario. Despite the significant improvement in the emergency situation triggered by the pandemic and the positive estimates of growth in the Italian and European GDP, the increase in the number of infections at internal level, attributable to the spread of new variants of the COVID-19 virus, could lead to new containment measures and, as a result, changes to the estimates of the macroeconomic variables over the forecast time horizon included in the Base scenario, with significant effects on the calculation of expected losses. That prudent decision will be reassessed by the end of the year, if the current signs of improvement are confirmed.

- Fair value measurement.
  In the current context characterised by market uncertainty and volatility, there could be an increase in measurements classified as Level 3, through the use of non - observable inputs, due to the disappearance of prices quoted in active markets (Level 1) and/or observable inputs (Level 2). Movement within the fair value hierarchy could take place for various types of financial instruments. At 30 June 2021 there have been no significant changes in the fair value hierarchy and as regards the valuation of financial instruments classified in Level 3, the Group has maintained the same criteria as those adopted in the 2020 Group Report, adding to the Policy adopted to include the assessment method relating to a type of investment previously not envisaged, as illustrated in the Section "Information on fair value".

- Impairment of assets
  At 30 June 2021 the Bank carried out impairment testing of its assets also taking into account the crisis situation generated by COVID-19.

  Pursuant to IAS 36, the Bank tested the recoverability of the book values of equity investments in associated companies measured at cost. The tests conducted did not show any problems and, thus, it was not necessary to record any impairment.

  As regards Goodwill recognised in the condensed half-year financial statements of the subsidiary Investire SGR, in order to decide whether it would be necessary to record an impairment loss, in December 2020 an impairment test was conducted, with the support of the internal specialists of the Parent Company, on the basis of the company's forecasts which take into account the effects of the COVID-19 pandemic. The definitive updated parameters of the Group to be used as assumptions on which the impairment calculation is based are summarised in the document "Measurement Methodologies and Impairment Test", approved by the competent decision-making bodies of the Bank autonomously and in advance with respect to the approval of the half-year financial data.
  For the purposes of discounting the cash flows and the terminal value, a rate representing the weighted average cost of the capital invested in the Company (WACC) was used, which, in this specific case, matches the cost of capital "Ke", inasmuch as InvestiRE SGR S.p.A. is characterised by the current and expected absence of financial payables. The financial parameters used to calculate the WACC were defined on the basis of average market values, measured also by sample testing comparable entities; moreover, a period of explicit projection of 3 years was used, and thereafter, prudentially, no growth rates were applied: the forward looking data used in the measurement at 31 December 2020 therefore refer to the 2021-2023 projections prepared by the Management of the asset management company. The WACC thus determined is 5.60%. Lastly, the model for determining the equity value was subjected to sensitivity analysis in order to appreciate the change of the results obtained as the adopted measurement parameters change. The analyses conducted did not bring to light any indications of impairment with reference to goodwill, not even based on a stress test approach, using a discount rate "Ke" (+/- 50 bps).

  As regards deferred tax assets, in line with the instructions from ESMA, the Bank has verified at Group level the recoverability of those assets recognised pursuant to IAS 12. On the basis of the assessments performed at 30 June 2021 with regard to the Group's economic and financial projections, it is deemed with reasonable certainty that the deferred tax assets recognised in the statement of financial position assets will be recovered in full.

<u>Contractual changes resulting from COVID-19</u>

1) Contractual changes and accounting derecognition (IFRS 9)
   At 30 June 2021 the pandemic did not cause significant deterioration in the payment capacity of the Group's customers; to this end, the following were assessed:

- whether any price reductions granted may have led to a change in the contract;
- if any payment extensions granted to customers could generate a significant financial component.

The analysis performed did not show conditions for the revision of timing and methods for the recognition of revenue.
It should also be noted that during the half year - following the measures put in place by the Government to support the economy to mitigate the pandemic effect - no significant contractual changes or accounting derecognitions were made for the Group's customers.

2) Amendment of IFRS 16
As lessees, the Bank and other Group companies did not exercise any extension option set forth by IFRS 16 in the case of significant events or changes caused specifically by the decline in economic activity and the uncertainty of the macroeconomic scenario, nor did they rely on the provisions of the amendment "COVID-19 Related Rent Concessions" published by the IASB on 28 May 2020, which provides lessees with the option of accounting for payment reductions without needing to evaluate, by analysing the contracts, if the changes fall within the definition of lease modification set forth in IFRS 16.

Impact of the pandemic on the Group's strategies and results for the period

The Banca Finnat Group's business strategies have not changed as a result of the pandemic. All the Group companies ensured business continuity vis-à-vis counterparties and the market, always ensuring the maximum efficiency of the service offered to customers both in branch and through remote channels. None of the Group's activities was interrupted, even temporarily, in particular as regards customer service.
More than a year from the explosion of the health crisis and the resulting economic crisis that significantly affected many productive sectors at national level, in the first half of 2021 significant recovery was seen in the economy. The current forecasts of the European Commission indicate an increase in the GDP of around 4.2% for Italy and the European Union, while, with the decrease in uncertainty, consumer and business confidence is increasing. More optimistic forecasts (Prometeia) estimate the growth in the Italian GDP at +5.3%, revised upwards on the +4.7% forecast in March. At the end of the first quarter of 2021, following the drop recorded in April 2020, the Italian GDP returned to pre-COVID levels. The recovery in the markets, specifically the stock markets starting in the second half of 2020 and continuing in the first half of 2021, also favoured the growth in deposits in the market served by Private Banking (+2.9% just in the first quarter of 2021), especially with regard to assets under management.
In 2020, the Group achieved results significantly higher than the result for the previous year, despite the emergency situation and the higher provisions allocated in relation to the increase in the credit risk of financial assets. The Group's positive performance also continued in the first half of 2021, in which it recorded a recovery in activities and services targeted to corporate and institutional customers, which were more harshly penalised by the economic crisis in the previous year. The increase in net fee and commission income recognised compared to the first half of 2020 is attributable: i) to the increase of 14% in the Bank's net fee and commission income compared to the first half of the previous year, mainly due to the increase in management fees and advisory fees on deposits under administration and fund placement, due to the growth in indirect deposits, as well as the increase in advisory fees and corporate finance fees also due to the realisation of two placements on the AIM stock market (in that regard, note the sharp growth in values and transactions on the AIM Italia market, also driven by the 12 new listings realised during the period); ii) in relation to real estate fund management, to growth recorded in development fees and variable fees, also due to the recovery of work at worksites as a result of the elimination of pandemic containment measures. Revenue from trusteeship and foreign companies were higher overall than in the same period of the previous year.
We believe that the second half will continue the positive performance in line with expectations. Nonetheless, the Group is keeping significant attention focused, specifically, on monitoring credit positions subject to moratoria and government guarantees, or which enjoyed subsidies at commercial level in the initial period of the crisis triggered by the pandemic.

A fresh outbreak of the emergency situation triggered by the spread of new variants, though contained by the vaccination campaign, could threaten the expected positive impact on for the relaunch of the national economy of the management of the resources allocated at European level.
The results for the half year of all subsidiaries increased overall in comparison to the same period of the previous year. Specifically, the subsidiary InvestiRE SGR recorded profit for the period up by 20% on the first half of 2020.

The liquidity position has always remained solid thanks to the broad availability of liquid reserves. In particular, in the first half, the regulatory indicators - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) - were considerably above requirements. In terms of capital, the Group's capital and asset quality make it possible to face the crisis in the near future with relative peace of mind.

A.2 – Information on the main financial statement items

The accounting standards adopted in preparing the Condensed Consolidated Half-Year Financial Statements at 30 June 2021 remained unchanged with respect to those adopted in preparing the 2020 Group Report, with the exception:

1. of the change made to point ”6-Methods for determining impairment losses” of paragraph “13- Other Information”, specifically regarding the identification of a “significant increase" in credit risk. Specifically, starting in the current year, the outsourcer that provides the operating system the Bank uses made an update to the rating model, which also introduced the new definition of default set out in Article 178 of Regulation 575/2013 (CRR) adopted by the Bank and consistent with the definition of impaired financial assets set out in IFRS 9. The update to the rating model resulted in the change, from 30 June 2021, to one of the quantitative criteria established by the Bank's updated policy to identify a "significant increase” in credit risk, exclusively as regards the staging method defined for the loans portfolio. The new rule no longer refers to the worsening of rating classes, but it is based on the change in the Lifetime Probability of Default in relation to the origination of the loan;
2. the change made to point “3 Recognition of revenue and costs” relating to the method of recognition of revenue relating to the mandatory service of producing research in analyst coverage and financial analysis services, exercised in relation to institutional customers which, starting from 2021, occurs at the time the research is issued and no longer at a later point, based on the amount that the Bank has the right to invoice;
3. the change made to the section “Information on fair value" relating to the introduction of the criteria, previously not included as relating to a case that was not present, relating to the valuation of investments with a lock-up clause in UCIs managed directly by Group companies.

The accounting standards adopted as concerns classification criteria, measurement and de-recognition, as well as the methods of recognition of costs and revenue are reported below:

1. Financial assets at fair value through profit or loss (FVTPL)

Classification criteria

This category includes financial assets other than those recognised as Financial assets at fair value through other comprehensive income and Financial assets at amortised cost. Specifically, this item includes:
- financial assets held for trading, mainly represented by debt securities, UCIs and equities and the positive value of derivative contracts held for trading (Other/Trading);
- financial assets mandatorily measured at fair value, represented by financial assets that do not meet the requirements for measurement at amortised cost ("Hold to Collect") or at fair value through other comprehensive income (“Held to Collect and Sell”).
These are financial assets whose contractual terms do not exclusively envisage capital reimbursements and interest payments on the amount of principal to be repaid (failing the "SPPI test") or that are not held within the framework of a business model whose objective is to hold assets for the purpose of collecting contractual cash flows or within the framework of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets; capital instruments for which the Bank and the other Group companies do not exercise the irrevocable option for the measurement of these instruments at fair value through other comprehensive income are also included in this category.
- financial assets at fair value, i.e. financial assets thus defined at the time of initial recognition and where the requirements are met. In relation to this case, an entity may irrevocably designate a financial asset as at fair value through profit or loss at the time of recognition if, and only if, by doing so, it eliminates or significantly reduces a valuation inconsistency.

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at fair value through profit or loss into one of the other two categories envisaged by IFRS 9 (Financial assets at amortised cost or Financial assets at fair value through other comprehensive income). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In this case, the effective interest rate of the reclassified financial asset is determined on the basis of its fair value on the date of reclassification, and that date is considered as the date of initial recognition for the allocation to the various stages of credit risk (stage assignment) for the purposes of determining impairment.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equity instruments, on the disbursement date for loans and on the subscription date for derivative contracts.
Upon initial recognition, financial assets at fair value through profit or loss are recognised at fair value, without considering transaction costs or income directly attributable to the instrument itself.

Measurement criteria

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. The effects of the application of this measurement criteria are charged to the Income Statement.
Market prices are used to determine the fair value of financial instruments listed on an active market. In the absence of an active market, commonly adopted estimation methods and valuation models are employed that take into account all risk factors correlated with the instruments and that are based on market data, such as: valuation of listed instruments with similar characteristics, discounted cash flow calculations, option price calculation models or values posted in recent comparable transactions. For equity instruments and derivatives involving equity instruments not listed on an active market, the cost method is used as a fair value estimate only in a residual way and limited to a few circumstances, i.e. in the case where none of the measurement methods mentioned above are applicable (since the most recent information available to measure fair value is insufficient), or in the presence of a wide range of possible fair value assessments, in which the cost represents the most significant estimate.
For further information on the criteria for determining fair value, please refer to the specific "Information on fair value" section.

Derecognition criteria

Financial assets are derecognised only if the contractual rights to cash flows deriving from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.

Lastly, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out those flows, and only those flows, without a significant delay, to other third parties.

2. Financial assets at fair value through other comprehensive income (FVOCI)

Classification criteria

This category includes financial assets that meet both of the following conditions:
- the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows and through sale (Held to Collect and Sell);
- the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (passing the "SPPI test").

The item also includes equity instruments, not held for trading, for which the option of measurement at fair value through other comprehensive income was exercised at the time of initial recognition.
Specifically, this item includes:
- debt securities that are part of a Held to Collect and Sell business model and passed the SPPI test;
- investments that do not qualify as establishing control or joint control over or association with companies and are not held for trading, for which the option of measurement at fair value through other comprehensive income was exercised;
- loans that are part of a Held to Collect and Sell business model and passed the SPPI test;

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets.
In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at fair value through other comprehensive income into one of the other two categories envisaged by IFRS 9 (Financial assets at amortised cost or Financial assets at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. In the event of reclassification from this category to the amortised cost category, the cumulative gain (loss) recognised in the valuation reserve is recognised as an adjustment to the fair value of the financial asset at the date of reclassification. Whereas in the event of reclassification in the category of fair value through profit or loss, the cumulative gain (loss) previously recognised in the valuation reserve is reclassified from equity to the income statement (in the item "Net trading expense”).

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and equity instruments, on the disbursement date for loans. Upon their initial recognition, assets are measured at fair value, which generally corresponds to the price paid. Any transaction costs or income directly attributable to the instrument itself are included in the purchase cost.

Measurement criteria

Subsequent to initial recognition, Assets classified at fair value through other comprehensive income, other than equity instruments, are measured at fair value, with impacts deriving from application of amortised cost, the effects of impairment and any exchange rate effect recognised in the Income Statement, whereas other gains or losses arising from a change in fair value are recognised in a specific equity reserve until the financial asset is derecognised. Upon disposal, in whole or in part, the cumulative gain or loss in the valuation reserve is reversed to the Income Statement.

The equity instruments chosen for classification in this category are measured at fair value and the amounts recognised as a balancing entry in equity must not be subsequently transferred to the income statement, even in the event of disposal. The only component relating to the equity instruments in question that is recognised in the income statement is represented by the related dividends.
Fair value is determined on the basis of the criteria already illustrated for Financial assets at fair value through profit or loss.
For further information on the criteria for determining fair value, please refer to the "Information on fair value" Section.
Financial assets at fair value through other comprehensive income - both in the form of debt securities and loans - are subject to the testing for a significant increase in credit risk (impairment) required by IFRS 9, as are Assets at amortised cost, with the consequent recognition in the income statement of an adjustment to cover expected losses. More specifically, on instruments classified in Stage 1 (i.e. on financial assets at the time of origination, where performing, and on instruments for which there has been no significant increase in credit risk compared to the initial recognition date), a 12-month expected loss is recorded at the initial recognition date and at each subsequent reporting date. On the other hand, for instruments classified as Stage 2 (performing positions for which there has been a significant increase in credit risk compared to the date of initial recognition) and Stage 3 (non-performing exposures), an expected loss is recognised over the life of the financial instrument.
Vice versa, equity instruments are not subject to impairment.

Derecognition criteria

Financial assets are derecognised only if the contractual rights to cash flows deriving from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.
Lastly, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out those flows, and only those flows, without a significant delay, to other third parties.

3. Financial assets at amortised cost

Classification criteria

This category includes financial assets (in particular, loans and debt securities) that meet both of the following conditions: the financial asset is held according to a business model whose objective is achieved both through the collection of contractual cash flows, and the contractual terms of the financial asset envisage, at certain dates, cash flows represented solely by payments of principal and interest on the amount of principal to be repaid (passing the "SPPI test").
More specifically, different types of loans to banks and customers and debt securities meeting the requirements set out in the previous paragraph are included in this item.
This category also includes operating loans related to the provision of financial activities and services as established by the Consolidated Banking Law and the Consolidated Financial Law.
According to the general rules envisaged by IFRS 9 on the reclassification of financial assets, reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of

financial assets. In such cases, which are expected to be highly infrequent, financial assets may be reclassified from the category at amortised cost into one of the other two categories envisaged by IFRS 9 (Financial assets at fair value through other comprehensive income or Financial assets at fair value through profit or loss). The transfer value is the fair value at the time of reclassification and the effects of reclassification operate prospectively from the date of reclassification. Gains and losses resulting from the difference between the amortised cost of the financial asset and its fair value are recognised in the income statement in the event of reclassification as Financial assets at fair value through profit or loss and Equity, in the specific valuation reserve, in the event of reclassification as Financial assets at fair value through other comprehensive income.
Loans and receivables with customers also include receivables for lease transactions relating to sub-leases of portions of properties.

Recognition criteria

Financial assets are initially recognised on the settlement date for debt securities and on the disbursement date for loans. Upon initial recognition, assets are recorded at fair value, including transaction costs or income directly attributable to the instrument itself.
In particular, with regard to loans, the date of disbursement normally coincides with the date of signing the agreement. If these dates do not coincide, a commitment to disburse funds is recorded at the time of signing the agreement, which ends on the date of disbursement of the loan. The loan is recognised on the basis of its fair value, equal to the amount disbursed, or subscription price, including costs/income directly attributable to the individual loan and determinable from the start of the transaction, even if settled at a later date.
Costs that, despite having the above characteristics, are reimbursed by the debtor counterparty or classified as ordinary internal administrative costs are excluded.

Measurement criteria

Following their initial recognition, the financial assets in question are measured at amortised cost, using the effective interest rate method. In these terms, the asset is recognised in the financial statements at an amount equal to its initial recognition value, less principal repayments, plus or minus the cumulative amortisation (calculated using the effective interest rate method referred to above) of the difference between this initial amount and the amount at maturity (typically attributable to costs/income charged directly to the individual asset. The effective interest rate is determined by calculating the rate that equals the present value of the future cash flows of the asset, for principal and interest, to the amount disbursed including costs/income related to the financial asset. This accounting method, which is based on a financial approach, allows the economic effect of costs/income directly attributable to a financial asset to be distributed over its expected residual life.

The amortised cost method is not used for assets - measured at historical cost - whose short duration makes the effect of the application of the discounting logic negligible, for those without a defined maturity or revocable loans.

The measurement criteria are strictly related to the inclusion of the instruments in question in one or the three stages (stages of credit risk) envisaged by IFRS 9, the last of which (Stage 3) includes non-performing financial assets and the remaining (Stages 1 and 2) performing financial assets.

With reference to the accounting representation of the above valuation effects, impairment losses relating to this type of asset are recognised in the Income Statement:

- upon initial recognition, for an amount equal to the twelve-month expected credit loss;
- upon subsequent measurement of the asset, where the credit risk has not significantly increased compared to initial recognition, in relation to changes in the amount of impairment for losses expected in the following twelve months;

- upon subsequent measurement of the asset, where the credit risk significantly increased compared to initial recognition, in relation to the recognition of impairment for expected losses over the life of the asset as provided for in the contract;
- upon subsequent measurement of the asset, where - after a significant increase in credit risk since initial recognition - the "significance" of that increase has since disappeared, in relation to the adjustment of cumulative impairment losses to take account of the change from a full lifetime expected credit loss of the instrument to a twelve-month expected credit loss.

If the financial assets in question are performing, they are measured in order to determine the impairment losses to be recorded in the financial statements at the level of the individual credit relation (or security "tranche"), depending on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD).

If, in addition to a significant increase in credit risk, there is evidence of impairment, the amount of the loss is measured as the difference between the book value of the asset - classified as "impaired", like all other transactions with the same counterparty - and the present value of the expected future cash flows, discounted at the original effective interest rate. The amount of the loss to be recognised in the Income Statement is defined on the basis of an analytical valuation process or determined by homogeneous categories and, therefore, analytically applied to each position, and considers, as described in detail in the chapter "Impairment losses of financial assets", forward looking information and possible alternative recovery scenarios.

Non-performing assets include financial instruments that have been granted the status of bad loans, unlikely to pay or past due/overdue by more than ninety days according to the rules of the Bank of Italy, consistent with IAS/IFRS and European Supervisory regulations.

The expected cash flows take into account the expected recovery time and the estimated realisable value of any guarantee.

The original effective interest rate of each asset remains unchanged over time even though the relationship has been restructured, resulting in a change in the contractual interest rate and even if the relationship ceases to bear the contractual interest for practical purposes.

If the reasons for impairment no longer apply due to an event occurring after the impairment was recognised, value recoveries are recognised in the Income Statement. The value recovery cannot exceed the amortised cost that the financial instrument would have had in the absence of previous adjustments.

Value recoveries related to the passing of time are recognised in net interest income.

In some cases, during the life of the financial assets in question and, in particular, of receivables, the original contractual terms can be amended by the parties to the contract. When, over the life of an instrument, the contractual clauses are amended, it is necessary to test whether the original asset must continue to be recognised in the financial statements or, on the contrary, whether the original instrument must be derecognised from the financial statements.

In general, changes in a financial asset lead to its derecognition and to the recognition of a new asset when they are "substantial". The assessment of whether the change is "substantial" must be carried out based on qualitative and quantitative considerations. In some cases it may be clear, without resorting to complex analyses, that the changes introduced substantially modify the characteristics and/or contractual flows of a given asset while, in other cases, further analyses (including quantitative analyses) will have to be carried out in order to appreciate their effects and test the need to derecognise or not the asset and to recognise a new financial instrument.

Therefore, qualitative and quantitative analyses aimed at defining the "substantial" nature of the contractual changes made to a financial asset will have to consider:

- the purposes for which the changes were made: for example, renegotiations for commercial reasons and forbearance due to financial difficulties of the counterparty:
  - the former, aimed at "retaining" the customer, involve a debtor who is not in financial difficulty. These cases include all renegotiation operations that are aimed at adjusting the cost of the debt to market conditions.
  - the latter, carried out for "credit risk reasons" (forbearance measures), are attributable to the bank's attempt to maximise the recovery of the cash flows of the original loan. As a rule*, the underlying risks and benefits are not substantially transferred after the changes and, consequently, the accounting representation that provides the most relevant information for the reader of the financial statements (except for that set out below on the subject of objective elements), is that made through "modification accounting" and not through "derecognition",* which implies the recognition in the income statement of the difference between the book value and the present value of the modified cash flows discounted at the original interest rate.
- the presence of specific objective elements ("triggers") that affect the characteristics and/or contractual flows of the financial instrument (such as, for example, a change in the currency or a change in the type of risk to which one is exposed, when correlated with equity and commodity parameters), which are deemed to entail derecognition in view of their impact (expected to be significant) on the original contractual flows.

Derecognition criteria

Financial assets are derecognised only if the contractual rights to cash flows deriving from the financial asset expired or if the entity transferred the financial asset and the sale resulted in the substantial transfer of all risks and benefits related to the assets. On the other hand, if a significant portion of risks and benefits related to the financial assets sold has been maintained, these assets will continue to be recognised, even if the legal ownership of the assets has actually been transferred.
If it is not possible to determine the substantial transfer of risks and benefits, financial assets are derecognised when the control thereof is transferred. Otherwise, the fact that even partial control has been retained means that the assets must be carried for an amount proportional to the remaining involvement, which is measured by the exposure to changes in the value of the assets sold and the changes in their cash flows.
Lastly, the financial assets sold are derecognised if the contractual rights to receive the relative cash flows are retained, but an obligation is concurrently assumed to pay out those flows, and only those flows, without a significant delay, to other third parties.

4 - Hedging transactions

Classification criteria

Risk hedging transactions are directed at neutralising potential losses, attributable to a determined risk, and recognisable on a determined element or group of elements, if that specific risk should actually arise.
IFRS 9 envisaged, at the time of its introduction, the possibility of continuing to apply in full the provisions of the former IAS 39 on hedge accounting (in the carved-out version approved by the European Commission) for each type of hedge (both for micro hedges and for macro hedges).

Recognition criteria

Hedging derivatives, like all derivatives, are initially recognised and subsequently measured at fair value.

Measurement criteria

Hedging derivatives are measured at fair value. In the case of fair value hedging, the change in fair value of the hedged element is offset with the change in fair value of the hedging instrument. This offset is recognised through the recognition in the income statement - under item 90 "Fair value adjustments in hedge accounting" - of said value changes, referred both to the hedged element (with regard to the changes caused by the underlying risk factor), and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently constitutes its net economic effect.
The derivative is designated as a hedging derivative if there is a formalised documentation of the relationship between the hedged instrument and the hedging instrument and if it is effective at the time when the hedge starts and, prospectively, throughout the time of its validity.
The effectiveness of the hedge depends on the extent to which the changes in fair value of the hedged instrument are offset by those of the hedging instrument. Therefore, the effectiveness is determined by the comparison between the aforesaid changes, taking into account the intent pursued by the company when the hedge was established.
If the hedge is ineffective, hedge accounting, as set out above, is stopped, the hedging derivative is reclassified among trading instruments and the hedged financial instrument reacquires the measurement criteria that matches its classification in the financial statements.

<u>5 - Equity investments</u>

Classification criteria

The item "Equity investments" includes investments in associated companies and jointly controlled companies; as required by IAS 28, this item also includes equity interests classified as joint ventures.
Equity interests in other companies in which the Parent Company does not exercise control or over which it has no significant influence, either directly or through its subsidiaries, but which are acquired as long-term investments and not held for the purpose of trading, are classified as "Financial assets at fair value through other comprehensive income."

Recognition criteria

Equity investments are recorded at their settlement date and at purchase - or subscription - cost, including the additional charges and subsequent adjustment, on the basis of the stake held in the equity of the investee company.

Measurement and recognition criteria of income statement items

After initial recognition, the book value is adjusted to take into account changes in the investee company's equity. The pro rata allocation of the profit for the period of the investee company is recorded under item 250 "Net loss on equity investments" of the income statement.

Derecognition criteria

Equity investments are derecognised when they are transferred, with the substantial transfer of all related risks and benefits, or when the contractual rights to cash flows deriving from them expire.

6 - Property, equipment and investment property

Classification criteria

This item includes the assets for permanent use held to generate income and the property held for investment purposes. Property, equipment and investment property also include advance payments made for the purchase and revamping of assets that are not yet part of the production process and hence not yet subject to depreciation.
Rights of use acquired through leases and relating to the use of property or equipment (for the lessees) and assets granted under an operating lease (for the lessors) are also included.

Recognition criteria

All classes of property, plant and equipment recognised as assets are initially recorded at cost, insofar as it is representative of their fair value. The cost includes the purchase price, non-recoverable purchase taxes and any cost directly descending from the installation of the asset for its intended use, minus any trade discounts.
Financial expenses are recorded according to IAS 23 and, therefore, recognised as a cost in the year in which they were incurred.
Overheads and administrative expenses are not included in the initial cost of the assets in question, unless they are directly descended from the purchase of the asset or its installation.
Lease agreements, in accordance with IFRS 16, are accounted for on the basis of the right of use model whereby, at the initial date, the lessee has a financial obligation to make payments due to the lessor as compensation for its right to use the underlying asset during the lease term. The duration of the lease agreement is determined taking into account the period of time during which the contract is enforceable; the lease agreement is considered to be no longer enforceable when the lessee and the lessor each have the right to terminate the lease without the consent of the other party and are at most exposed to a minimum penalty.
When the asset is made available to the lessee for use (initial recognition date), the right of use is recognised - net of VAT and any sub-leases - as a balancing entry to the payable equal to the present value of the lease payments to be made to the lessor.

Measurement criteria

Following their initial recognition, instrumental fixed assets and fixed investments are measured at cost minus the accumulated depreciation and taking into account any impairment losses and/or value recoveries.
This principle has been adopted because it was deemed more appropriate than the revaluation method provided by the reference accounting standard.
Property, equipment and investment property are depreciated each year, at rates calculated by reference to the residual possibility of using the assets, their related useful life and realisable value, except for land (incorporated in the asset value) and works of art, insofar as they have an indefinite life. In the case of land whose value is incorporated in the value of the property, equipment and investment property, the relevant separation is made only for free-standing buildings held. For assets acquired during the year, the depreciation is calculated on a daily basis starting on the date on which the asset was first used.
Property, equipment and investment property featuring an unlimited useful life cannot be depreciated.
Subsequent expenses relating to property, plant and equipment, already recorded in the accounts, are added to the book value of the asset when it is likely that the future economic benefits exceed the previously established ordinary performance of the asset.
At the end of each reporting period, an impairment test is carried out on the assets. More specifically, a comparison is made between the book value of the asset (purchase cost less accumulated depreciation) and its recoverable amount,

equal to the greater of the fair value, minus any costs to sell, and the related value of use of the asset, meaning the present value of the future cash flows expected from the asset. Adjustments are recorded in the income statement under item 210 "Depreciation and net impairment losses on property, equipment and investment property". If the reasons that led to the recognition of the loss cease to apply, a value recovery is recorded that may not exceed the value that the asset would have had minus the depreciation calculated in the absence of previous impairment losses.
Property, equipment and investment property consisting of rights of use acquired under a lease, recorded in accordance with IFRS16, are measured using the cost model and depreciated over the lease term and periodically subjected to impairment testing.

Derecognition criteria

The book value of property, equipment and investment property must be derecognised on its disposal, or when no future economic benefit is expected from its use.
The right of use deriving from lease agreements is eliminated from the Financial Statements at the end of the term of the lease agreement, which may be modified with respect to the initial recognition of the right of use, to take into account the exercise of any early extinction, renewal or purchase options not considered at the time of recognition.

7 - Intangible assets

Classification criteria

Intangible assets include long-term application software. The positive difference between the value of the assets and liabilities acquired following a business combination and the related purchase price of the combined business entity is recorded under intangible assets as goodwill.

Recognition criteria

Intangible assets are recorded at their purchase cost. The purchase cost may be adjusted for ancillary charges. The costs incurred for the purchase of intangible assets are recognised only if they are identifiable, their cost can be measured reliably, they can be controlled and they are able to generate future economic benefits. Otherwise, the cost of the intangible asset is recorded in the income statement in the year in which it was incurred. The Banca Finnat Group, in view of the option envisaged by IFRS 16.4, decided not to apply the standard to any operating leases on intangible assets. Therefore, Intangible assets do not include rights of use acquired under operating leases (as lessee) and relating to the use of an intangible asset.

Measurement and recognition criteria of income statement items

Following their initial recognition, intangible assets, including rights of use acquired under operating leases, are measured at cost, less the accumulated amortisation and any impairment losses. The "at cost" measurement method was deemed more appropriate than the "revaluation" method. The cost of intangible assets is amortised, minus the recoverable amount, on the basis of their estimated useful life. For assets acquired during the year, the depreciation is calculated on a daily basis starting on the date on which the asset was first used. In the case of assets transferred and/or disposed of during the period, the amortisation is calculated on a daily basis until the date of transfer and/or disposal.
If the useful life of the fixed asset cannot be established and appears to be indefinite (goodwill), the asset is not amortised; however it is periodically tested for impairment and, in any case, each time objective evidence is found to this effect its initial recognition value may have to be changed. The performance of this test entails the prior allocation of goodwill to a cash generating unit whose value can be reliably estimated. Goodwill impairment is calculated as the

difference between its book value and the estimated recoverable amount, determined by reference to the cash generating unit to which the goodwill in question has been allocated. Any impairment calculated as the difference between the book value of the fixed asset and its recoverable amount is recorded in the income statement under item "270 Goodwill impairment losses". Goodwill impairment may not be reversed in future accounting periods as required by IAS 36.

Regarding intangible assets other than goodwill, if there is evidence of impairment, an estimate is made each year of the recoverable amount of the assets. The amount of the loss, recorded in the income statement, is equal to the difference between the book value of the asset and its recoverable amount. If the recoverable amount of a specific intangible asset cannot be determined, then the asset must be assigned to the smallest independent cash generating unit (CGU), and this is referred to in estimating the recoverable value and comparing it with the book value, to establish the possible impairment loss.

Derecognition criteria

Intangible assets are derecognised when they are sold or when no future economic benefits are expected from their use.

9 - Current and deferred tax

Current and deferred income taxes, calculated in accordance with the applicable domestic regulations, are recorded in the income statement, except in the case of items directly charged or credited to equity. Tax provisions are calculated on a prudential basis and also include the risk provisions set aside in connection with the ongoing disputes.

In 2004, the Bank and its Italian-based subsidiaries joined the "domestic consolidated tax system", pursuant to Article 117/129 of the Consolidated Income Tax Act. The option was renewed in June 2019 for the 2019-2021 period.

By virtue of this option, the Group companies determine their proportion of the taxes payable and the corresponding tax income (taxable income or tax loss) is transferred to the Parent Company, relating to which a single taxable income or loss is reported (resulting from the algebraic sum of its own and its participating subsidiaries' incomes/losses) and, consequently, a single income tax debit/credit of the company is determined.

Deferred taxation is calculated based on the tax effect of the temporary differences between the book value of the assets and liabilities and their tax value, resulting in future taxable amounts or tax deductions. For this purpose, "temporary taxable differences" means those that, in the future, will determine taxable amounts, while "temporary deductible differences" those that, in the future, will determine deductible amounts. Deferred tax assets are recorded in the financial statements insofar as they are likely to be recovered, based on the capability of the Bank, and of the other Group companies belonging to the "domestic consolidated tax system", to generate taxable income, in the future, on a regular basis.

Deferred taxation is calculated based on the applicable rates, with respect to the temporary taxable differences, with respect to which there is the likelihood of effectively incurring taxes, and the temporary deductible differences, with respect to which there is the reasonable certainty of recovering tax money back.

Deferred tax liabilities are calculated taking into account the rates expected when payment falls due.

If the deferred tax assets and liabilities relate to income statement items, the balancing entry is represented by income tax.

When deferred tax assets and liabilities concern transactions recorded in equity, without affecting the income statement, the directly balancing entry is recorded in equity, in the specific reserves, where provided (Valuation reserves).

Current tax assets/liabilities related to income tax for the period are recognised net of any tax paid in advance and any withholding tax incurred.

Deferred tax assets and deferred tax liabilities are recorded in the statement of financial position, respectively under "Tax assets" and "Tax liabilities".

10 - Provisions for risks and charges

Provisions for risks and charges for commitments and guarantees given

The sub-item of provisions for risks and charges under examination includes the provisions for credit risk recognised for commitments to lend funds and guarantees given that fall within the scope of application of the rules on impairment in accordance with IFRS 9. For these cases, in principle, the same methods of allocation between the three stages of credit risk and calculation of the expected loss shown with reference to financial assets at amortised cost or at fair value through other comprehensive income, are adopted.

Other provisions

The other provisions for risks and charges include the allocations relating to legal obligations or connected with employment agreements or with disputes, including those of a tax-related nature, originated from a past event for which it is likely that economic resources will be expended to comply with said obligations, provided that a reliable estimate of the related amount can be made.
If the time element is significant (expected outlay beyond 12 months), the allocations are discounted to the present with reference to current market rates. The allocation and any subsequent increases in the provisions due to the time factor are recognised in the income statement.
The allocated provisions are subject to periodic reviews and when it becomes unlikely that possible costs may be incurred, the allocations are fully or partly reversed to the benefit of the income statement.

11. Financial liabilities at amortised cost

Classification criteria

Due to banks, Due to customers and Securities issued include the various forms of interbank and customer deposits, repurchase agreements with the obligation to repurchase forward bonds and other funding instruments issued, net of any amounts repurchased.
This item also includes the payables recorded by the company as a lessee under leases.

Recognition criteria

The initial recognition of these financial liabilities occurs on the date the contract is signed, which normally coincides with the date of receipt of the sums collected or the date of issue of the debt securities.
Initial recognition is carried out based on the fair value of the liabilities, generally equal to the amount received or the issue price, plus any additional costs/income directly attributable to the individual funding or issue transaction. Internal administrative costs are excluded.
With regard to lease payables , the lessee, on the commencement date of the contract, recognises the payable equal to the present value of the payments due for the entire duration of the contract, discounted using marginal lending rates identified by the Group equal to the interest rate that Banca Finnat should pay for a loan, with similar duration and guarantees, necessary to obtain an asset whose value is equal to the asset consisting of the right of use in a similar economic environment.

Measurement criteria

Following their initial recognition, financial liabilities are measured at amortised cost, using the effective interest rate method.
Exceptions are short-term liabilities, for which the time factor is negligible, which remain recorded at the value received.
Lease payables are updated, as indicated by IFRS 16, in the presence of contractual changes due to: change in the duration of the lease; change in the guaranteed residual value, change in the exercise of the purchase option or recalculation of fixed or variable payments.

Derecognition criteria

Financial liabilities are derecognised when they expire or are discharged. Derecognition takes place also where bonds previously issued are repurchased. The difference between the book value of liabilities and the amount paid to purchase them is posted in the Income Statement.
The replacement on the market of treasury shares after they have been repurchased is considered tantamount to a new issue, with the entry of the new placement price.

12. Financial liabilities held for trading

Classification criteria

This item includes financial liabilities, regardless of their type, classified in the trading portfolio.
In particular, this category of liabilities includes trading derivatives with a negative fair value as well as embedded derivatives with a negative fair value that are present in complex contracts - where the primary contract is a financial liability - but not strictly related to them. Liabilities that originate from uncovered short positions generated by securities trading are also included.

Recognition criteria

These liabilities are recognised at the subscription or issue date at a value equal to the fair value of the instrument, without considering any directly attributable transaction cost or income.

Measurement criteria

All trading liabilities are measured at fair value with the result of the measurement recognised in the Income Statement.

Derecognition criteria

Financial liabilities held for trading are derecognised from the financial statements when the contractual rights to the corresponding cash flows expire or when the financial liability is sold, substantially transferring all related risks and benefits. The resulting difference is recorded in the income statement.

14 - Foreign currency transactions

Foreign currency transactions are recorded in Euros on initial recognition, applying the spot exchange rate in force at the date of the transaction.
When preparing the financial statements, items in foreign currencies are recorded as follows:

- monetary instruments are recorded at the spot exchange rate on the date of preparation of the financial statements, with foreign exchange differences recorded in the income statement under the item "Net trading expense";
- non-monetary instruments are measured at historical cost, at the exchange rate in force at the time of the original transaction;
- non-monetary instruments measured at fair value are recorded at the spot exchange rate in force at the time of preparation of the financial statements.

Exchange rate differences relating to non-monetary items are recorded applying the accounting standards used for the gains and losses relating to the original instruments.

16 - Other information

1. Treasury shares

Treasury shares held are stated in the financial statements at cost, adjusting equity by a corresponding amount. No gains or losses are recorded in the income statement in connection with the purchase, sale, issue and derecognition of instruments that represent the Bank's capital. The consideration paid or received is recognised directly in equity.
Any marginal cost incurred for the repurchase of treasury shares is recorded as a decrease in equity, as long as it is directly related to the capital transaction that otherwise would not have been incurred.

2. Post-employment benefits

Post-employment benefits are determined as the Group's present obligation towards its employees, in terms of the related termination indemnity. The amount of this obligation on the date of the financial statements is estimated using actuarial methods and time-discounted using the "Projected Unit Credit Method", whereby each period of service is viewed as giving rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. Once the final obligation is obtained, the Group needs to calculate its present value, even if part of the obligation falls in the twelve-month period after the reporting period. Actuarial profits/losses deriving from defined benefit plans are stated in Equity under Valuation reserves. All other components of the provisions for termination indemnities accrued during the year are posted in the income statement under item 190. Administrative expenses: a) personnel expenses in "Post-employment benefits", for the amounts paid to the INPS Treasury; "payments to external pension funds: defined contribution" for payments made to Supplementary Retirement Plans and "provisions for post-employment benefits$ for the adjustment of the provisions present in the company.

3. Recognition of revenue and costs

Revenue
Revenue is gross flows of economic benefits deriving from the carrying on of the normal company business, when such flows determine increases in equity other than the increases deriving from the contribution of shareholders. Revenue is recognised in the financial statements on an accruals basis.
In particular, fee and commission income and other income from services are recognised in the financial statements only if all the following criteria are met:

1) the contract with a customer is identified;
2) performance obligations are identified;
3) the transaction price is determined;
4) the transaction price is allocated to the performance obligations;
5) revenue is recognised when (or as) the entity satisfies a performance obligation.

Revenue configured as variable consideration is recognised in the income statement if it can be reliably estimated and only if it is highly probable that this consideration must not be reversed from the income statement in future periods in whole or in a significant part.
In the event of a strong prevalence of uncertainty factors related to the nature of the consideration, it will be recognised only when this uncertainty is resolved. Factors that could increase the likelihood and extent of the downward adjustment of revenue include, among other things, the following:

a) the amount of the consideration is very sensitive to factors beyond the control of the entity (e.g.: market volatility);
b) experience with the type of contract is limited;
c) it is usual to offer a wide range of price concessions or to change the terms and conditions of payment of similar contracts under similar circumstances;
d) the contract has a large number and a wide range of possible amounts of remuneration.

The consideration for the contract, the collection of which must be probable, is allocated to the individual obligations arising from the contract. The allocation must be based on the selling prices that would have been applied in a transaction involving the individual contractual commitment (standalone selling price). The best indication of the standalone selling price is the price of the good or service that can be observed when the company sells the good or service separately in similar circumstances and to similar customers. If the standalone selling price is not directly observable, it must be estimated.
In the event that the customer obtains a discount for the purchase of a bundle of goods or services, the discount must be allocated between all the performance obligations provided for in the contract. The discount can be attributed to one or more obligations if all of the following criteria are met:

a. the entity normally sells separately each distinct good or service;
b. the entity normally also sells separately the bundle(s) of some of the distinct goods or services, giving a discount on the standalone selling prices of the goods or services of each bundle, and the discount is substantially the same discount provided for in the contract.

Revenue is recognised over time when the goods or services have been transferred (satisfaction of performance obligations); an asset is transferred when the customer has control of the asset, i.e. when it can use the goods or service directly and obtain all the benefits. Depending on the timing of the satisfaction of the performance obligations, the revenue can be recognised:

- when control is passed at a certain point in time; factors that may indicate the point in time at which control passes include:
  - the entity has a present right to payment for the asset;
  - the customer has legal title to the asset;
  - the entity has transferred physical possession of the asset;
  - the customer has the significant risks and benefits related to the ownership of the asset;
  - the customer has accepted the asset.
- or, alternatively, over the time provided for the satisfaction of the performance obligations, if one of the following criteria is met:
  - the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs;
  - the entity's performance creates or enhances an asset that the customer controls or from which it can derive all the benefits (potential cash flows);
  - the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Interest is recognised on an accruals basis that considers the effective yield of the asset.

The positive economic components accrued on financial liabilities are recognised under the item “Interest and similar income”.

Default interest is recorded under the item "Interest and similar income”, when it is actually collected.

Dividends are recorded in the accounts in accordance with the shareholders' right to receive payment.
Revenue is recognised over time when the goods or services have been transferred (satisfaction of performance obligations): an asset is transferred when the customer has control of the asset, i.e. when it can use the goods or service directly and obtain all the benefits.

Disclosure required by IFRS 15 (Revenue from Contracts with Customers).
Nature of the services

A description of the main businesses from which the Group generates its revenue from contracts with customers, distinguished by business segment, is provided below.

Banca Finnat

Private banking and Banking Services
The main services provided to the private customers of the Bank by the private bankers of the Sales Department include the revenue deriving from contracts for individual portfolio management, trading, trading with advisory services, placement, and all agreements associated with a current account (cash services, payments, money management, debit cards, credit card loans, home banking, etc.) All performance obligations are defined by formalised contracts. If the contracts include the performance of distinct services, the revenue pertaining thereto is:

- recorded separately on the basis of standalone sale prices defined contractually (as in the case of fees for services of individual portfolio management, trading and order execution on financial instruments, placement and of fees for the transmission of documents, reports and communications);
- recorded on the basis of the mandatory service performed if the services cannot be separated within the context of the contract because one constitutes the input of the other (as in the case of the combination of the advisory and securities custody services) or because they are interdependent, not separable and not sold individually (as in the case of banking services associated with a current account).

Depending on the way the services are performed, revenue is recorded accurately (e.g. in the case of fees for trading, collection and payment and subscription) or, in case of services performed over time, based on the value that the services completed until the considered date have for the customer, corresponding to the amount provided by the contract.
Individual portfolio management contracts provide for the debiting (with annual or less than annual frequency) of variable overperformance fees with respect to reference parameters. The determination of these fees depends on the result achieved at the end of the reference period, which cannot be estimated on the occasion of the quarterly measurements, since it is not highly probable that when, subsequently, the uncertainty associated with the variable consideration is resolved, there will be no significant downwards adjustment of the amount of the recorded cumulated revenue; these fees are affected by external factors with respect to the management activity of the bank (such as market volatility and the performance of the reference parameter).
The revenue accounting procedures adopted before the entry into force of the provisions of IFRS 15 are in line with those described, except that for the types of trading agreements that prescribe free fees for the execution of orders on financial instruments in view of the application of fees for the advisory and custody services proportionate to the assets under administration; for these contracts, the amount of the fees is allocated, for accounting purposes, among the

obligations prescribed by the contract, attributing to the custody and administration service an amount equal to the standalone sale price of the service and to the trading service the residual amount.

Institutional customers

The main services provided by the Institutional Customers Organisational Unit of the Bank include: the asset management services performed on appointment by UCIs, the management and trading services targeted to corporate customers and to qualified counterparties, the services targeted to listed issuers (specialist operator services, qualified operator services, analyst coverage, centralised management, etc.).

All performance obligations are defined by formalised contracts. Management and trading services are recognised according to the same rules envisaged for private customers.

Services directed to listed issuers are carried out over time, because customers benefit from the activity carried out continuously and they are consequently recognised based on the value for customers of the services transferred until the date considered on the basis of the amount the Bank is entitled to receive (with the exception of the service of financial analysis and the production of research as part of the analyst coverage service, whose revenue is recognised at the date of issue of the research).

Centralised management services can be sold on the basis of individual modules or as packages; in this case, the value of the service provided consists of the single fee envisaged for the different services included in the package and any discount with respect to the acquisition of the individual services is allocated proportionately among the different mandatory services performed. If the contracts include services whose revenue is recognised exactly at the time of execution, the portion referred to these services is recorded at the time of performance or, if the services were not performed within the reference period of the contract, at its periodic expiration.

The revenue recognition methods that were adopted before the entry into force of the provisions of IFRS 15 are substantially in line with those described above.

Advisory and Corporate Finance

"Advisory services on financial structure" rendered to corporate customers by the Advisory & Corporate Finance Organisational Unit of the Bank to provide assistance to customers in major corporate finance matters (mergers & acquisitions, listings and IPOs, company appraisals, industrial and financial restructuring, project financing, strategic consultancy), are defined by formalised contracts. Depending on the type of assistance provided, the contract may entail the performance of different activities, which, however, are necessary inputs for the achievement of the objective provided for by the contract and, therefore, are inseparable and included in a single mandatory service. This service is considered completed over time regardless of the envisaged invoicing timelines because: the customer benefits from the assistance service rendered by the Bank on a continuous basis; performance of the activity does not present an alternative use for the Bank, being carried out exclusively for the Customer according to his/her specific characteristics and requirements; any adaptation of the activities performed for another use is subject to practical limitations because the specifications of the activities carried out are unique for that Customer; throughout the duration of the agreement, the Bank is entitled to require payment of the service completed up to the date considered even if the contract is terminated by the Customer for reasons other than the Bank's failure to perform. However, if the assistance contract requires issuing a declaration of appropriateness for the purposes of listing, the connected fees are recognised exactly, as the Customer receives the benefits deriving from fulfilling the obligation to obtain listing on the market only on the issue date.

Any success or performance fees are instead recognised only in case of formalisation of the transactions and when the conditions underlying their ascertainment are met; these are variable fees which the Bank cannot determine in a highly probable manner before the "resolution of the uncertainty" associated with the fees themselves, being conditioned by factors on which the Bank has no control (such as actions performed by third parties: customers, investors or lenders).

InvestiRE SGR S.p.A.

The purpose of the real estate asset management company is to manage professionally and enhance the value of the Assets of the Funds managed, carrying out its own real estate initiatives, in accordance with the investment policies of each Fund. Within the scope of its activities, the asset management company identifies and carries out the investments that by nature and intrinsic characteristics are appropriate to achieve the objectives of the Funds, assessing the overall risks of the portfolio. Within the scope of its activities, the asset management company also assesses and manages liquidity risk, manages the accounting of the Funds and generally performs all the activities necessary for the purpose of the fund, identified in the Management Regulation. The mandatory service identifiable in the formalised contracts is the management and enhancement of the value of the Fund; the different services performed are similar to each other and they share the way the benefit is transferred to the customer. Therefore, they are considered a single mandatory service. The management fees, development fees and sale fees provided for in the contracts are recognised progressively according to the elapsing of time, assessing progress with the output-based method; revenues are consequently recognised on a quarterly basis on an accrual basis. Variable success fees, whose liquidation is subordinated to meeting specific conditions set forth in the regulation, are recognised upon expiration of the lifetime for the Fund (or at the shorter time interval envisaged by the regulation): however, if the requirements are met, an early recognition of the success fees may be considered only if it is highly probable that the objective defined in the regulation is achieved. In particular, the portion of the performance fees on the sales of the Public Real Estate Fund AIF (FIP), not liquidated immediately, is recognised early with respect to the definitive accrual (envisaged on the date of liquidation of the fund) if at the end of each reporting period it is deemed highly likely that there will be no significant downwards adjustment of the amount of the cumulated revenue recognised and otherwise after accurately considering all "limitations to the estimates of the variable consideration" envisaged by IFRS 15.57. The company deems that it has such elements as to be able to make reasonable estimates on the probability that the agreed variable consideration will be paid at the expiration of the fund and, on the occasion of each half-yearly closing of the fund, it verifies the conditions envisaged in a specific analysis model in order to confirm the recognition of the variable consideration in question and the related amount. The revenue recognition methods that were adopted before the entry into force of the provisions of IFRS 15 are substantially in line with those described above except with regard to the Public Real Estate Fund AIF, whose regulation has been in force since the standard entered into force.

Natam SA

Natam, a Luxembourg-based asset management company, performs, in favour of the managed UCIs: a) collective management services, such as investment management, central administration and registry services, marketing and sales services and risk management services; b) ancillary services, such as governance, document production and IT support management services. The company may delegate one or more of the activities performed to third parties. All services are provided for by formalised contracts. The services per point a) follow the same model for transfer to the customer and they are not sold separately by the Company. Consequently, they are considered a single performance obligation. The service is performed over time and the fees received are recognised assessing progress with the method based on the output measured on the basis of elapsed time; revenue is then recognised on a quarterly basis according to the amount the company is contractually entitled to demand from the customer, corresponding to the value for the customer of the services completed until the date considered. Any overperformance fees are recognised only when they definitively accrue because the amount of the consideration is sensitive to factors outside the entity's control, and in particular to market volatility and to third parties' judgement and actions and, therefore, they cannot be estimated on a quarterly basis because it is not highly probable that there will be significant downwards adjustments of the consideration accrued on the occasion of the quarterly reports.

The services per letter b) constitute distinct mandatory services whose price consists of the consideration provided for contractually for each service because they correspond to prices the company could apply in case of separate sale of the individual services to the customer. The services are performed and recorded over time as indicated for the services per letter a) excepting services that entail the production of documents which are recognised exactly at the time of performance because they refer to the production of material whose benefit to the customer is provided at the time of its production and delivery.
The revenue recognition methods that were adopted before the entry into force of the provisions of IFRS 15 are in line with those described above.

Finnat Fiduciaria S.p.A.

The company provides customers with services pertaining to asset planning, trusteeship of financial assets and of corporate assets, and performs guarantee functions.
All the services are formalised by contract.
The services are performed over time and the fees received are recognised assessing progress with the method based on the output measured on the basis of elapsed time; revenue is then recognised according to the amount the company is contractually entitled to demand from the customer, corresponding to the value for the customer of the services completed until the date considered.
The revenue recognition methods that were adopted before the entry into force of the provisions of IFRS 15 are in line with those described above.

Finnat Gestioni S.A.

The company provides customers with the individual portfolio management service. The recognition of the fees follows the procedures envisaged for the same service performed by the Bank.

* * *

Costs

Costs are recognised when they are incurred in compliance with the criterion of correlation between costs and revenues that derive directly and jointly from the same transactions or events. Costs (including impairment losses) that cannot be related to revenues are immediately recognised in the Income Statement.
Costs directly attributable to financial instruments at amortised cost, determinable from the start, regardless of the moment when they are paid, are included in the Income Statement by applying the effective interest rate.
Interest is recognised on an accruals basis that considers the effective yield of the asset.
Negative income components accrued on financial assets are recognised in the item "Interest and similar expense", an item that also includes interest expense on lease payables (while Interest and similar income includes interest from subleases).
Rents payable for property leases, company vehicles and other assets falling within the scope of IFRS 16 are not recognised under Administrative expenses (as was the case under the previous IAS 17); against the recognition of the rights of use deriving from lease agreements, impairment losses are recorded due to the depreciation of the right of use calculated on a straight-line basis according to the duration of the contract or the useful life of the right itself, while, against the recognition of the payable for the fees due for the rights of use, accrued interest expense is recorded.
Administrative expenses (Personnel expenses and Other administrative expenses) include short-term lease payments and low-value lease payments as well as variable payments for lease payments not included in the valuation of lease payables and the VAT component, if non-deductible.
"Sundry expenses" also include the depreciation of leasehold improvements acquired through leases classified as "Other assets".

4. Classification of financial assets

The classification of financial assets in the three categories envisaged by IFRS 9 depends both on the business model with which the financial instruments are managed and on the contractual characteristics of the cash flows of the financial assets (or SPPI Test). The combination of these two elements results in the classification of financial assets as follows:

- Financial assets at amortised cost: assets that pass the SPPI test and fall within the Held to Collect (HTC) business model;
- Financial assets at fair value through other comprehensive income (FVOCI): assets that pass the SPPI test and fall within the Held to Collect and Sell (HTCS) business model;
- Financial assets at fair value through profit or loss (FVTPL): this is a residual category that includes financial instruments that cannot be classified in the previous categories based on the results of the business model test or the test on the characteristics of the contractual flows (failing the SPPI test).

SPPI test

The Standard requires financial assets to be classified also on the basis of the characteristics of the contractual cash flows. The SPPI test requires the determination of whether the contractual cash flows consist of Solely Payments of Principal and Interest on the principal amount outstanding) (IFRS 9 - B4.1.7).

Contractual cash flows may be consistent with the definition of a "basic lending arrangement" even if the credit risk will be offset. Moreover, the interest rate can also include an additional fee that takes into account other risks such as liquidity risk or administrative costs. The possibility of obtaining a profit margin is also consistent with the definition of "basic lending arrangement (IFRS 9 - B4.1.7A).

Contractual features that introduce an exposure to risks or volatility unrelated to "basic lending arrangements", such as exposure to changes in equity prices or commodity prices, do not meet the definition of Solely Payments of Principal and Interest on the principal amount outstanding.

Therefore, the SPPI test is aimed at identifying all the contractual characteristics that may show payments other than those relating to the principal and interest accrued on the principal amount outstanding.

Only if the test is passed can the instrument be accounted for, depending on the business model identified, at amortised cost or at fair value through OCI.

The test will only be necessary if the adopted business model is "Collect" or "Collect and Sell". Conversely, if the instrument is managed according to the residual business model, the instrument will be accounted for at fair value regardless of the characteristics of the contractual cash flows.

Business Model

The business model represents the way in which the Bank manages its financial assets, i.e. with which it intends to realise the cash flows of debt instruments. It reflects the way in which groups of financial assets are collectively managed to pursue a specific business objective and does not depend on management's intentions with respect to a single instrument but is set at a higher level of aggregation.

The definition of the Group's business model takes into consideration all the useful elements that emerge both from the strategic objectives defined by the Bank's top management and from elements relating to the organisational structure of the structures in charge of the management of assets and the methods for defining the budget and evaluating their performance. The method of management is defined by the top management through the appropriate involvement of the business structures. The business model does not depend on the intentions of the management with respect to a single instrument, but rather refers to the way in which homogeneous portfolios are managed in order to achieve a given objective.

The business model is defined on the basis of several elements, such as (IFRS 9 - B4.1.2B):

- How the performance of the business model and the financial assets held within that business model are assessed and reported to the entity's key executives;

- The risks that affect the performance of the business model and the ways those risks are managed;
- How managers of the business are remunerated - e.g. whether the remuneration is based on the fair value of the assets managed or on the cash flows collected.

The drivers used to assess the performance of the various business models identified and the type of reporting produced are elements to be considered for the correct attribution of the business model. In particular, performance and reporting could be based on information on fair value or interest received, depending on the purpose for which the assets are held.

Adequate monitoring, escalation and reporting is essential to ensure proper management of risks that may affect portfolio performance.

The possible business models set out in the Standard are as follows:

- "Held to collect": requires the realisation of contractually envisaged cash flows. This business model is attributable to assets that will presumably be held until their natural maturity (IFRS 9 - B4.1.2C).
- "Collect and Sell": envisages the realisation of cash flows as provided for in the contract or through the sale of the instrument. This business model is attributable to assets that may be held to maturity, but also sold (IFRS 9 – B4.1.4).
- "Sell": this model is directed at realising cash flows by selling the instrument. This business model is attributable to assets managed with the objective of realising cash flows through sale - known as "trading" - (IFRS 9 – B4.1.5).

The measurement of the business model to be attributed to the portfolios is carried out on the basis of the scenarios that could reasonably occur (IFRS 9 B4.1.2A), considering all relevant and objective information available at the measurement date.

In the event that the cash flows are realised in a way that is different from initial expectations considered in the definition of the business model, this realisation will not:

- change the classification of the remaining assets held in that business model;
- give rise to a prior-period error in the entity's financial statements.

However, information on how the cash flows of the target portfolio were realised in the past, together with other relevant information, will necessarily have to be taken into account prospectively when classifying the subsequent purchase/recognition of a new asset in the financial statements. The business model must be attributed at the level of the portfolio, sub-portfolio or individual instrument, where these best reflect the way assets are managed (IFRS 9 - B4.1.2).

5. Methods for determining amortised cost

The amortised cost of a financial asset or a financial liability is in general the amount at which the financial asset or financial liability is measured at initial recognition minus principal reimbursements, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any impairment loss.

The effective interest rate is the rate that equalises the present value of future contractual cash payments or receipts until the expiry or the following recalculation date of the price to the net carrying amount of the financial asset or financial liability. In order to calculate the present value, the effective interest rate is applied to the flow of future receipts or payments estimated during the useful life of the financial asset or liability - or a shorter period in the presence of certain conditions (for example, the review of market rates).

If it is not possible to estimate reliably the cash flows or the expected life, the Group uses the expected contractual cash flows for the entire period of validity of the contract.

Subsequent to initial recognition, the amortised cost allows to allocate revenues and costs deducted from or summed to the instruments during its expected life through amortisation. The method of determination of the amortised cost depends on whether the measured financial assets/liabilities have a fixed or variable rate.

For fixed-rate instruments, future cash flows are quantified based on the interest rate known during the life of the loan. For variable-rate financial assets/liabilities, whose variability is not known a priori (because, for example, they are linked to an index), cash flows are determined by maintaining constant the last variable rate recorded. At each date of review of the rate, the repayment plan and the effective interest rate are recalculated over the entire useful life of the instrument, i.e. until the date of expiry.
Measurement at amortised cost is carried out for financial assets and liabilities at amortised cost (loans and receivables with/due to banks and loans and receivables with/due to customers) and for financial assets at fair value through other comprehensive income. For the latter, the amortised cost is calculated for the sole purpose of recognising in the income statement the interest based on the effective interest rate; the difference between the fair value and the amortised cost is recorded in a specific equity reserve.

6. Methods for determining impairment losses

IFRS 9 envisages a model for determining prospectively impairment losses, which requires the immediate recognition of losses on receivables even if only expected, contrary to IAS 39, which requires, for their recognition, the examination of past events and current conditions.
At the end of each reporting period, in accordance with IFRS 9, financial assets other than those at fair value through profit or loss are measured to determine whether there is any evidence that the book value of the assets may not be fully recoverable. A similar analysis is also carried out for commitments to lend funds and guarantees given that fall within the scope of impairment pursuant to IFRS 9.
In the event that such evidence exists (known as "impairment evidence"), the financial assets in question - consistently, where existing, with all the remaining assets pertaining to the same counterparty - are considered impaired and are included in stage 3. Against these exposures, represented by financial assets classified - in accordance with the provisions of Bank of Italy's Circular no. 262/2005 - in the categories of bad loans, unlikely to pay and past due by more than ninety days, impairment losses equal to the full lifetime expected credit loss must be recognised.
For financial assets for which there is no evidence of impairment (performing financial instruments), it is necessary, instead, to check whether there are indicators such that the credit risk of the individual transaction is significantly increased compared to the time of initial recognition. The consequences of this test from the point of view of classification (or, more properly, staging) and measurement, are as follows:

- where such indicators exist, the financial asset is included in stage 2. In this case, the measurement, in accordance with the international accounting standards and even in the absence of an evident impairment, envisages the recognition of impairment losses equal to the full lifetime expected credit loss of the financial instrument. These adjustments are reviewed at the end of each subsequent reporting period both to periodically check their consistency with the constantly updated loss estimates and to take into account - in the event that the indicators of "significantly increased" credit risk no longer exist - the changed forecast period for calculating the expected loss;
- where such indicators do not exist, the financial asset is included in stage 1. In this case, the measurement, in accordance with the international accounting standards and even in the absence of an evident impairment, envisages the recognition of 12-month expected credit losses for the specific financial instrument. These adjustments are reviewed at the end of each subsequent reporting period both to periodically check their consistency with the constantly updated loss estimates and to take into account - in the event that the indicators of "significantly increased" credit risk arise - the changed forecast period for calculating the expected loss;

With regard to the measurement of financial assets and, in particular, the identification of the "significant increase" in credit risk (a necessary and sufficient condition for the classification of the asset being measured in stage 2), the elements that - pursuant to the standard and its operational breakdown carried out by the Banca Finnat Euramerica Group - constitute the main determinants to be taken into consideration are as follows:
Quantitative criteria:

a) in the event of a worsening of the Lifetime Probability of Default compared to the origination of the loan, differentiated by type of customer (retail and corporate) and by rating class, as shown below:

Changes in Probability Of Default

Rating class	Retail customers	Corporate customers
AAA	250%	300%
AA	250%	300%
A	250%	300%
BBB	250%	300%
BB	200%	200%
B	200%	100%
CCC	50%	80%
CC	30%	30%
C	30%	30%

b) for exposures backed by collateral, where there is a 50% decrease in the value of the collateral compared with its value at the date of origin;
c) exposures with a past due date of more than 30 days (even partial) recognised at the report date in the monthly survey (or in the previous 5 monthly surveys) regardless of the counterparty and without tolerance thresholds;
d) on-demand loans with both of the following irregular trends:
   1) presence of operating tension: average percentage of use of the credit line granted, calculated over the last 180 days, of more than 80%;
   2) absence of changes in assets in the last 180 days.

Qualitative criteria:
a) forborne performing exposures in relation to a financial difficulty of the debtor;
b) exposures with irregular trends monitored by the Bank's Credit Committee;
c) exposures to counterparties for which prejudicial information has been acquired. This requirement is to be considered valid also for prejudicial information relating to the guarantors.

A financial asset is considered non-performing and allocated to stage 3 if one or more events that have a negative effect on expected cash flows occurred. In particular, the observable data relating to the following events constitute evidence of impairment of the financial asset:
- significant financial difficulties of the debtor (also based on the financial statement analysis such as, for example, negative changes in the debt ratio or the capacity to cover financial expenses);
- breach of contractual clauses (such as a default or past-due event of more than 90 days);
- classification in category "D - Defaulted" within the CSE outsourcing rating model;
- a lender having granted a concession to the debtor - for economic or contractual reasons relating to the debtor's financial difficulty - that the lender would not otherwise consider;
- disappearance of an active market for that financial asset because of financial difficulties;
- purchase or issue of a financial asset at a deep discount that reflects the incurred credit losses;
- likelihood that the debtor will declare bankruptcy or be subject to another financial reorganisation procedure.

A performing financial asset at the time of initial recognition and for which one or more of the above events occur must be considered non-performing and placed in stage 3; the allocation in this bucket envisages that:
- the allowance for doubtful receivables is determined as an amount equal to full lifetime expected credit losses of the financial asset;
- interest income is calculated based on the amortised cost i.e. gross book value less the allowance for doubtful receivables;
- the time value is determined, and the expected date of collection is estimated.

For these financial assets, the method for determining the loss is calculated in accordance with IFRS 9 and in line with the provisions of the credit regulations.
Once the allocation of exposures to the various stages of credit risk has been defined, the determination of expected credit losses (ECL) is carried out, at the level of individual transactions or security tranche, starting from the IRB/management approach, based on the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), on which appropriate corrective action is taken to ensure compliance with the requirements of IFRS 9.
The determination of the values and calculation methods are detailed in the appropriate Group Policy.

7. Assets/Liabilities at fair value

The Group did not use the fair value option referred to in IFRS 9: therefore, the relevant asset and liability items in the statement of financial position and income statement are not shown in the financial statements as they are not measured.

A.3 – Information on transfers between portfolios of financial assets

According to the general rules envisaged by IFRS 9 on the reclassification of financial assets (with the exception of equity instruments, for which no reclassification is permitted), reclassifications to other categories of financial assets are not permitted unless the entity modifies its business model for the management of financial assets. However, such cases are expected to be highly infrequent.

No transfers were made between portfolios of financial assets during the year due to a change in the business model.

A.4 Information on fair value

The techniques, valuation processes of the financial instruments and the methods for determining the fair value used by the Group are shown below.
The fair value of financial instruments is determined based on the prices acquired by the financial markets, in the case of instruments listed on active markets (Level 1), or on internal valuation models, in the case of all other financial instruments.
If the instrument is not listed on an active market, or if there is no regularly functioning market, i.e. the market does not feature a sufficient and ongoing number of transactions, bid-ask spread and a volatility that is not sufficiently curbed, the fair value of the financial instruments is generally determined based on the use of valuation techniques the purpose of which is to establish the price of a hypothetical independent transaction, motivated by normal market consideration, at the date of valuation.

Regarding the valuation techniques, the following are taken into account:

- if available, the prices of recent transactions involving similar instruments, suitably adjusted to reflect the changed market conditions and the technical differences between the valued instrument and the instrument selected as similar in nature (comparable approach);
- valuation models widely used by the financial community, which have proved over the years capable of producing reliable estimates of prices, with respect to the current market conditions (Mark-to-Model).

Financial instruments classified as Level 1 instruments include, as a general indication:

- stocks and bonds listed on active markets. The principal 'price source' of securities listed on regulated markets is the relevant stock exchange, and generally corresponds to the price published by the regulated market on which the security is negotiated. For financial instruments listed on the Italian Stock Exchange (Borsa Italiana), the value is determined using the posted price.
- UCIs with official prices expressed by an active market; open-ended UCIs (including ETFs) for which a price listed on an active market is available at the measurement date;
- foreign exchange spot transactions;
- derivatives for which prices are available on an active market (e.g., futures and options).

Lacking prices on an active market, the fair value of financial instruments is calculated according to the "comparable approach" (Level 2), based on the use of valuation models making use of parameters that can be directly observed on the market. In this case, the valuation is not based on the prices of the actual financial instruments being valued, but on prices or credit spreads taken from the official listings of substantially similar instruments, in terms of risk-yield factors, using a certain calculation method (pricing model). This approach translates into the search for transactions on the active markets involving instruments that, in terms of their risk factors, are comparable with the instrument measured.

The valuation techniques used entail:

- the use of current market prices of other substantially similar instruments, if they are deemed to be highly comparable (based on the country and sector to which they belong, along with their rating, maturity and degree of seniority of the securities), such as to avoid any substantial alteration of the prices or the use of trading prices - with respect to the same financial instrument - concerning market transactions between independent counterparties;
- the use of prices of similar instruments, in terms of their calibration;
- discounted cash flow models;
- option pricing models.

Financial instruments classified as Level 2 instruments include, as a general indication:

- UCIs for which prices recorded in an inactive market whose values are deemed to be representative of fair value are available. If these prices are based on the NAV, this value, if available at the measurement date, may be taken into consideration for fair value purposes;
- bonds that are not traded on an active market, but which can be priced based on the prices of comparable securities, as inputs for a valuation model. The fair value of bonds without official prices expressed by an active market is calculated by using an appropriate credit spread, determined based on liquid financial instruments with similar features. Moreover, in the case of market transactions - concerning the same financial instrument - between independent counterparties, account will be taken of the known trading price;
- OTC derivatives valued based on observable parameters and market models. Interest rate, exchange, share, inflation and commodity derivatives - if they are not traded on regulated markets - are known as Over The Counter (OTC) instruments, i.e. instruments that are bilaterally negotiated with market counterparties, and their valuation is conducted based on specific pricing models, fed by inputs (such as rate, exchange and volatility curves) observed on the market.

Lastly, the determination of the fair value of certain types of financial instruments is based on valuation models that require the use of parameters that cannot be directly observed on the market and which, therefore, require estimates and assumptions by the valuer (Level 3).

Financial instruments classified as Level 3 instruments include, as a general indication:

- unlisted equity instruments. Equity investments held at cost are also conventionally included among Level 3 instruments;
- UCIs lacking prices expressed by a market (active and inactive) and similar listed securities. This category includes the open-ended UCIs whose last measured NAV was not reported near the measurement date and the closed-ended UCIs whose fair value is derived exclusively on the basis of the NAV. For these UCIs, the NAV used for measurement must prudentially be adjusted to take into account any risk of not being able to carry out a transaction unless it is at prices that are significantly lower than the value of the assets represented by the NAV. That adjustment is not considered for investments with a lock-up clause in UCIs managed directly by Group companies, investments which are part of a strategy aimed at aligning interests with those of investors to promote new funds;
- bonds not listed on active markets, for which there are no comparable instruments, or which require the use of significant assumptions, such as the knowledge of trading prices between independent counterparties;
- OTC derivatives valued using non-market models, or market models based on parameters that cannot be observed on the market.

Level 3 instruments also include financial instruments priced by the Bank and the other Group companies based on internal valuation models using inputs that cannot be observed on the market and personal assumptions made by the valuer.

Fair value hierarchy

With the introduction of IFRS 13, the rules for measuring the fair value previously included in multiple accounting standards were set out in a single standard.
The fair value is defined as the price that is received for the sale of an asset or that would be paid for the transfer of a liability in an orderly transaction between market participants at the measurement date.

When measuring the fair value of a financial instrument, IFRS 13 refers to the concept of hierarchy of the measurement criteria used, which was at the time introduced by an amendment to IFRS 7 that required the company to classify the measurements based on a hierarchy of levels that reflects the significance of the inputs used in the measurement of financial instruments.

This classification aims to establish a hierarchy in terms of reliability of fair value depending on the degree of discretion applied by enterprises, giving priority to the use of parameters observable on the market reflecting the assumptions that market participants would use when pricing the asset/liability.

IFRS 13 identifies three different input levels:

- Level 1: inputs represented by (unadjusted) quoted prices in active markets - as defined by IFRS 13 - for assets or liabilities subject to measurement;
- Level 2: inputs other than quoted market prices set forth above, which are observable for the assets or liabilities subject to measurement, either directly (prices) or indirectly (derived from prices);
- Level 3: inputs that are unobservable inputs for the asset or liability subject to measurement.

The choice between these types is not optional but must be done in a hierarchical order, since priority is given to official prices on active markets (level 1); in the absence of such inputs, we use valuation techniques based on parameters that cannot be observed on the market (level 2); with a lower and more discretionary priority, the fair value of assets and liabilities calculated with valuation techniques based on parameters that cannot be observed on the market (level 3).

The valuation method and, as a result, transfers among the levels of the fair value hierarchy of a financial instrument are altered only if there are significant changes in the market or subjective conditions of the issuer of the financial instrument.

IFRS 13 contemplates that, as already indicated by IFRS 7, the instruments at amortised cost are provided with fair value disclosure.

Within the Group, the following approaches were identified for calculating the fair value:

Assets at amortised cost
For financial assets recognised in the financial statements at amortised cost, classified in the accounting category of "Financial assets at amortised cost" (loans and receivables with banks and customers) in particular:

- for medium/long-term performing loans (mainly mortgages and leases), the fair value is determined on the basis of cash flows, suitably adjusted for expected losses, on the basis of the PD and LGD parameters. These cash flows are discounted on the basis of a market interest rate adjusted to take account of a premium deemed to express risks and uncertainties;

- for "non-performing" loans (bad loans, unlikely to pay, past due), the fair value is assumed to be equal to the net book value. In this regard, it should be noted that the market for non-performing loans is characterised by a significant illiquidity and a high dispersion of prices according to the specific characteristics of the loans. The absence of observable parameters that could be used as a reference for measuring the fair value of exposures comparable to those being measured could therefore lead to a wide range of possible fair values; for this reason, for the purposes of financial reporting, the fair value of non-performing loans is shown as the book value;
- for debt securities classified in the “Loans and receivables with banks or customers” or the “Securities issued” portfolio, the fair value was determined by using prices obtained on active markets or by using valuation models, as described in the previous paragraph "Fair value levels 2 and 3: valuation techniques and inputs used".
- The fair value of loans and receivables with customers and banks with undefined contractual expiry, in that they are on demand, is represented by the nominal value of the receivables net of the risk component represented by the calculated probability of default, in accordance with what was previously defined.

Due to banks and customers
These are entered at their nominal value that is usually equal to the amount received initially by the Bank. This value can be reasonably approximated to the fair value in that the Bank can meet its payables thanks to high levels of capitalisation.

Other information

The Group does not use the exception on the compensating valuation of groups of financial assets and liabilities referred to in paragraph 48 of IFRS 13.

Assets and liabilities at fair value on a recurring basis: breakdown by level of fair value

Assets/Liabilities at fair value	30.06.2021			31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	2,861	24,035	6,258	2,660	23,994	1,213
a) financial assets held for trading	2,112	5,323	896	2,021	4,826	-
b) financial assets at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	749	18,712	5,362	639	19,168	1,213
2. Financial assets at fair value through other comprehensive income	280,071	-	11,460	330,147	-	11,678
3. Hedging derivatives	-	-	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	282,932	24,035	17,718	332,807	23,994	12,891
1. Financial assets held for trading	-	35	1,800	-	40	-
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	35	1,800	-	40	-

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

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

Assets/Liabilities not at fair value or at fair value on a non-recurring basis	30.06.2021				31.12.2020			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets at amortised cost	1,515,133	853,310	-	683,970	1,378,338	863,624	-	536,885
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	1,515,133	853,310	-	683,970	1,378,338	863,624	-	536,885
1. Financial liabilities at amortised cost	1,639,047	-	-	1,639,047	1,552,963	-	-	1,552,963
2. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	1,639,047	-	-	1,639,047	1,552,963	-	-	1,552,963

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

The Bank and the other Group companies have never carried out fair value measurements on a non-recurring basis for assets and liabilities.

A.5 Information on day one profit/loss

The Bank and the other Group companies have not recorded in the period under review any positive/negative items arising from the initial fair value measurement of financial instruments.

Part B –Information on the statement of financial position

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 30.06.2021	Total 31.12.2020
a) Cash	707	548
b) Demand deposits at Central Banks	160	163
Total	867	711

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

2.1 Financial assets held for trading: breakdown by product

Items/Amounts	Total 30.06.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	634	-	-	553	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	634	-	-	553	-	-
2. Equity instruments	1,355	-	-	1,341	-	-
3. UCI units	33	5,311	-	52	4,824	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	2,022	5,311	-	1,946	4,824	-
B. Derivatives						
1. Financial derivatives	90	12	896	75	2	-
1.1 held for trading	90	12	896	75	2	-
1.2 related to the fair value option	-	-	-	-	-	-
1.3 other	-	-	-	-	-	-
2. Credit derivatives	-	-	-	-	-	-
2.1 held for trading	-	-	-	-	-	-
2.2 related to the fair value option	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-
Total B	90	12	896	75	2	-
Total (A+B)	2,112	5,323	896	2,021	4,826	-

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

The financial assets held for trading refer exclusively to the Bank and amounted to 8,331 thousand euros. The balance at 31 December 2020 amounted to 6,847 thousand euros.

Item "A.1 Debt securities" Level 1, amounting to 634 thousand euros (553 thousand euros at 31 December 2020) included 630 thousand euros in bonds.

Item “B.1.1 Financial derivatives held for trading”, Level 3, regards the value of the earn out relating to the Bank's sale of 8.9% of Investire SGR to Enpaf. The transaction is illustrated in detail in the “Documento informativo relativo ad operazioni di maggiore rilevanza con parti correlate” (Disclosure on related party transactions of greater significance) published on the Bank's website www.bancafinnat.it, Investor Relations /Corporate Governance/Documento informativo operazione con soggetto collegato e allegati section (in Italian) published on 21 January 2021.

Item "A.3. UCI units" amounting to 5,344 thousand euros (4,876 thousand euros at 31 December 2020) includes in Level 1: New Millennium Funds of 30 thousand euros and other funds of 3 thousand euros; in Level 2: units of New Millennium Funds of 5,311 thousand euros.

2.5 Other financial assets mandatorily measured at fair value: breakdown by product

Items/Amounts	Total 30.06.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	-	-	-	-	-	-
2. Equity instruments	-	-	15	-	-	15
3. UCI units	749	18,712	5,347	639	19,168	1,198
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	749	18,712	5,362	639	19,168	1,213

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

The item Financial assets mandatorily measured at fair value amounted to 24,823 thousand euros (21,020 thousand euros at 31 December 2020) and included under equity investments (Level 3) the Carige shares held by the Bank through the Voluntary Scheme of the FITD for 12 thousand euros and the Astaldi equity financial instrument of 3 thousand euros, again owned by the Bank; the UCI units, Level 1 exclusively included the units of the Immobilium fund owned by the subsidiary InvestiRE SGR S.p.A.; Level 2 included units owned by the Bank of 18,712 thousand euros (Public Real Estate Fund (FIP) of Euro 14,893 thousand euros, New Millennium funds of 2,863 thousand euros and Thema fund of 956 thousand euros); Level 3 included units of the Apple Fund of 1,154 thousand euros, owned by the Bank, and units of the PRS Italy fund of 4,193, owned by InvestiRE SGR S.p.A.

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

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

Items/Amounts	Total 30.06.2021			Total 31.12.2020		
	L1	L2	L3	L1	L2	L3
1. Debt securities	279,558	-	-	329,716	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	279,558	-	-	329,716	-	-
2. Equity instruments	513	-	11,460	431	-	11,678
3. Loans	-	-	-	-	-	-
Total	280,071	-	11,460	330,147	-	11,678

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

Financial assets at fair value through other comprehensive income totalled 291,531 thousand euros (341,825 thousand euros at 31 December 2020).

Item 1. Debt securities - Level 1 - consists mainly of Government Bonds held by the Bank. At 30 June 2021, total net impairment losses on credit risk on these securities amounted to 77 thousand euros. The value is recognised in item 110. Valuation reserves (after taxes) instead of as an adjustment to this item.
In the period in question, value recoveries amounting to 6 thousand euros were carried out

Item 2.Equity instruments consists of an equity investment of one thousand euros (Level 3) owned by InvestiRE SGR and of the following strategic investments of the Bank:

- Level 1: Net Insurance S.p.A. (513 thousand euros including the positive valuation reserve equal to Euro 221 thousand euros);
- Level 3: Fideuram Investimenti SGR S.p.A. (1,788 thousand euros including the positive valuation reserve equal to 978 thousand euros), SIA S.p.A. (6,250 thousand euros including the positive valuation reserve equal to 5,130 thousand euros), CSE Consorzio Servizi Bancari S.r.l. (2,420 thousand euros including the negative valuation reserve equal to 84 thousand euros), SIT S.p.A. (15 thousand euros) and Real Estate Roma Olgiata S.r.l. (986 thousand euros including the negative valuation reserve equal to 470 thousand euros).

For the inclusion of equity instruments in this portfolio, the irrevocable option was exercised upon initial recognition.

Section 4 - Financial assets at amortised cost – Item 40

4.1 Financial assets at amortised cost: breakdown by product of loans and receivables with banks

Type of transactions/Amounts	Total 30.06.2021						Total 31.12.2020					
	Book value			*Fair value*			Book value			*Fair value*		
	Stages 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3	Stages 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3
A. Loans and receivables with Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
1. Time deposits	-	-	-	X	X	X	-	-	-		X	X
2. Compulsory reserve	-	-	-	X	X	X	-	-	-	X	X	X
3. Repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
4. Other	-	-	-	X	X	X	-	-	-	X	X	X
B. Loans and receivables with banks	147,285	-	-	-	-	147,285	124,563	-	-	-	-	124,563
1. Loans	147,285	-	-	-	-	147,285	124,563	-	-	-	-	124,563
1.1. Current accounts and demand deposits	96,248	-	-	X	X	X	71,944	-	-	X	X	X
1.2. Time deposits	40,282	-	-	X	X	X	42,652	-	-	X	X	X
1.3. Other loans:	10,755	-	-	X	X	X	9,967	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
- Other	10,755	-	-	X	X	X	9,967	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	147,285	-	-	-	-	147,285	124,563	-	-	-	-	124,563

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

Loans and receivables with banks totalled 147,285 thousand euros (124,563 thousand euros at 31 December 2020).

Item B.1.2. Time deposits of 40,282 thousand euros refers to the Bank and relates to an interbank deposit with maturity 7 July 2021 for 34,500 thousand euros and the Compulsory reserve deposited by the Bank with Depobank S.p.A. for 5,783 thousand euros (both amounts after collective write-down). At 31 December 2020 the Compulsory reserve amounted to 6,653 thousand euros.

Item B.1.3 Other loans related to guarantee margins on derivatives referred to the Bank.

At 30 June 2021 total net losses on credit risk with banks amounted to 82 thousand euros (of which 62 thousand euros was attributable to the Bank). In the period in question, net impairment losses amounting to 9 thousand euros were recognised.

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

Type of transactions/Amounts	Total 30.06.2021						Total 31.12.2020					
	Book value			*Fair value*			Book value			*Fair value*		
	Stages 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3	Stages 1 and 2	Stage 3	of which: acquired or originated impaired	L1	L2	L3
1. Loans	493,422	23,466	-	-	-	536,685	373,355	21,780	-	-	-	412,322
1.1. Current accounts	145,794	2,089	-	X	X	X	164,423	562	-	X	X	X
1.2. Reverse repurchase agreements	95,748	-	-	X	X	X	22,602	-	-	X	X	X
1.3. Mortgages	168,767	8,704	-	X	X	X	160,965	9,410	-	X	X	X
1.4. Credit cards, personal loans and salary-backed loans	-	-	-	X	X	X	-	-	-	X	X	X
1.5. Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
1.6 Factoring	-	-	-	X	X	X	-	-	-	X	X	X
1.7. Other loans	83,113	12,673	-	X	X	X	25,365	11,808	-	X	X	X
2. Debt securities	850,960	-	-	853,310	-	-	858,640	-	-	863,624	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	850,960	-	-	853,310	-	-	858,640	-	-	863,624	-	-
Total	1,344,382	23,466	-	853,310	-	536,685	1,231,995	21,780	-	863,624	-	412,322

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

Loans and receivables with customers totalled 1,367,848 thousand euros (1,253,775 thousand euros at 31 December 2020).

At the reporting date of this Financial Report, the items relating to current accounts, mortgages and other loans include non-performing assets (Bucket 3) relating to the Parent Company totalling 49,978 thousand euros (23,057 thousand euros net of write-downs) comprising:

- bad loans totalling 36,747 thousand euros (12,238 thousand euros net of write-downs), referring to the following positions:
  - 4,572 thousand euros (960 thousand euros net of write-downs) for the residual amount of a mortgage terminated on 8 July 2011. The transaction was secured by a first mortgage on property, the value of which - supported by a special expert appraisal report covers the entire value of the net exposure. In July 2021 the property was sold for an amount exceeding the value of the net receivable.
  - 15,249 thousand euros (3,031 thousand euros net of write-downs) relating to a receivable for a loan due from Bio-On. The estimate of the presumed realisable value of the receivable remained unchanged with respect to that calculated for the purposes of the 2019 Annual Report, and confirmed on preparation of the 2020 Annual Report.
  - 8,473 thousand euros (5,360 thousand euros net of write-downs) referring to a mortgage terminated on 24 December 2020 backed by first degree mortgage guarantees on property and other collateral that largely cover the value of the net exposure.
  - 8,453 thousand euros, of which 1,763 thousand euros referring to trade receivables (222 thousand euros net of write-downs) and 6,690 thousand euros (2,665 thousand euros net of write-downs) to receivables relating to cash loans.

  The line-by-line write-downs carried out therefore totalled 24,509 thousand euros (including 1,541 thousand euros referring to trade receivables), with a total coverage rate of 67%.

- unlikely-to-pay totalling 12,924 thousand euros (10,538 thousand euros net of write-downs), comprising:
  - current account overdraft facilities amounting 2,292 thousand euros (1,852 thousand euros net of write-downs);
  - mortgages amounting to 10,525 thousand euros, of which 681 thousand euros in overdue instalments and 9,844 thousand euros in principal maturing (8,663 thousand euros net of write-downs);
  - trade receivables of 107 thousand euros (23 thousand euros net of write-downs).

  The itemised write-downs totalled 2,386 thousand euros (of which 84 thousand euros referring to trade receivables);
- other positions expired or past due by over 90 days amounting to 307 thousand euros (281 thousand euros net of write-downs).

At 30 June 2021 the Bank had 43 "forborne" exposures, of which:

- 20 non-performing positions totalling 38,888 thousand euros (19,557 thousand euros net of write-downs), of which 3 positions included among bad loans of 26,735 thousand euros and 17 positions included among unlikely-to-pay of 12,153 thousand euros.
- 23 performing positions totalling 14,730 thousand euros.

At 30 June 2021, the Bank calculated the write-down of the portfolio for performing loans and receivables with customers in *Bucket 1* and *Bucket* 2 relating to cash loans. This write-down amounted to 1,933 thousand euros, lower than the allocations made for this purpose through 31 December 2020 (equal to 2,741 thousand euros).

In the first six months of 2021, the Bank recorded in the Income Statement 27 thousand euros for portfolio impairment losses on government bonds; it also recorded 158 thousand euros for net impairment losses on loans and receivables with customers, broken down as follows: 808 thousand euros for portfolio value recoveries, 305 thousand euros for specific value recoveries, 1,116 thousand euros for specific impairment losses and 155 thousand euros for cancellation losses.

At 30 June 2021, the allowance for doubtful loans and receivables with customers of the Bank, excluding securities, reached 28,854 thousand euros, of which 26,921 thousand euros on an itemised basis and 1,933 thousand euros in portfolio impairment losses.

With regard to other Group companies, the itemised allowance for doubtful loans (*Bucket* 3) at 30 June 2021 amounted to 790 thousand euros against gross non-performing loans of 1,199 thousand euros for Finnat Fiduciaria S.p.A. and to 2,080 thousand euros against gross non-performing loans of 2,080 thousand for InvestiRE SGR S.p.A.
Whereas portfolio impairment losses relating only to loans and receivables with customers (*Bucket* 1 and *Bucket* 2) through 30 June 2021 amounted to 26 thousand euros for InvestiRE SGR S.p.A. and to a total of 1 thousand euros for the other Group companies. During the period in question, subsidiaries recognised net value recoveries on loans and receivables with customers in the Income Statement of 75 thousand euros.

With regard to the Bank, item 1.7. Other loans includes, in addition to non-performing financial loans and impaired trade receivables (Bucket 3) totalling 12,264 thousand euros (already commented on as non-performing assets), Deposits for margins with Cassa di Compensazione e Garanzia and ICE Clear Europe Ltd for 54,215 thousand euros (Bucket 1), a hot money operation for 19,985 thousand (Bucket 1), trade receivables (Bucket 2) for 2,860 thousand euros and sublease receivables for 34 thousand euros (Bucket 1). The item also includes the trade receivables of the other group companies.

Item 2.2 Other debt securities refers exclusively to Government Bonds of the Bank. The total portfolio impairment losses for those securities amounted to 155 thousand euros after utilisation for sales of 38 thousand euros. In the first half, impairment losses of 27 thousand euros were recognised.

Section 7 - Equity investments – Item 70

7.1 Equity investments: information on investment relationships

Company name	Registered office	Place of business	Type of relationship	Investment relationship		% Voting rights
				Investor company	% stake	
A. Companies subject to joint control						
1. REDO SGR S.p.A.	Milan	Milan	*Joint venture*	InvestiRE SGR	20.00	
2. Liphe S.p.A.	Bologna	Bologna	*Joint venture*	Banca Finnat	10.00	
3. Aldia S.p.A.	Bologna	Bologna	*Joint venture*	Banca Finnat	10.00	
B. Companies subject to significant influence						
1. Prévira Invest S.p.A. in liquidation	Rome	Rome	Significant influence	Banca Finnat	20.00	
2. Imprebanca S.p.A.	Rome	Rome	Significant influence	Banca Finnat	20.00	

The stake also represents the percentage of voting rights at the shareholders' meetings.
At 30 June 2021 the item amounted to 11,068 thousand euros (10,694 thousand euros at 31 December 2020).

Section 9 - Property, equipment and investment property – Item 90

9.1 Property and equipment used in operations: breakdown of assets at cost

Assets/Amounts	Total 30.06.2021	Total 31.12.2020
1. Owned assets	4,235	4,338
a) land	1,308	1,308
b) buildings	1,804	1,873
c) furniture	741	770
d) electronic equipment	357	371
e) other	25	16
2. Rights of use acquired through leases	15,711	13,561
a) land	-	-
b) buildings	15,108	12,968
c) furniture	-	-
d) electronic equipment	47	19
e) other	556	574
Total	19,946	17,899
of which: obtained through enforcement of guarantees received	-	-

Point 2 of the table above shows the rights of use relating to lease agreements, as required by the accounting standard IFRS 16.

Section 10 - Intangible assets – Item 100

10.1 Intangible assets: breakdown by asset type

Asset/Amounts	Total 30.06.2021		Total 31.12.2020	
	Definite life	Indefinite life	Definite life	Indefinite life
A.1 Goodwill	X	28,129	X	28,129
A.1.1 attributable to owners of the Parent	X	16,762	X	14,260
A.1.2 attributable to non-controlling interests	X	11,367	X	13,869
A.2 Other intangible assets	313	2,726	315	2,726
A.2.1 Assets at cost:	313	2,726	315	2,726
a) Internally generated intangible assets	-	-	-	-
b) Other assets	313	2,726	315	2,726
A.2.2 Assets at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	313	30,855	315	30,855

Item A.1 Goodwill, amounting to 28,129 thousand euros, comprises:

- Euro 300 thousand euros for a part of the goodwill resulting from the merger in 2003 of Banca Finnat Euramerica S.p.A. into Terme Demaniali di Acqui S.p.A.
- Euro 27,829 thousand euros for goodwill recorded by the subsidiary InvestiRE SGR S.p.A. following the merger by incorporation in 2015, of Beni Stabili Gestioni SGR S.p.A. and Polaris RE SGR S.p.A. The value of goodwill was reduced in 2019 by an amount of 9,600 thousand euros, corresponding to the portion relating to the business unit transferred to the associated company REDO SGR S.p.A.
  The adequacy assessment was based on the estimate of the projected cash flows to be discounted according to the Discounted Free Cash Flow to the Firm method, adopted taking into account both the characteristics of the business and the current and future situation of the company. It should be noted that the goodwill is attributable to the Cash Generating Unit CGU "Asset Management - Real Estate Fund Management" which coincides with the activity carried out by InvestiRE SGR.
  The internal experts of InvestiRE SGR S.p.A., on the basis of the forecasts developed to take into account the estimated impacts of the COVID-19 pandemic with respect to the business plan approved by the Board of Directors, with the support of the internal specialists of the Parent Company, set up the impairment test to assess whether or not it is necessary to adjust goodwill.
  The definitive updated parameters of the Group used in drawing up the Financial Statements as assumptions on which the impairment calculation is based are summarised in the internal document - "Measurement Methodologies and Impairment Test", approved by the competent decision-making bodies of the Bank autonomously and in advance with respect to the approval of the financial statement data.
  For the purposes of discounting the cash flows and the terminal value, a rate representing the weighted average cost of the capital invested in the Company (WACC) was used, which, in this specific case, matches the cost of capital "Ke", inasmuch as InvestiRE SGR S.p.A. is characterised by the current and expected absence of financial payables. The financial parameters used to calculate the WACC were defined on the basis of average market values, measured also by sample testing comparable entities; moreover, a period of explicit projection of 3 years was used, and thereafter, prudentially, no growth rates were applied: the forward looking data used in the measurement at 31 December 2020 therefore refer to the 2021-2023 projections prepared by the Management of the asset management company. The WACC thus determined is 5.60%.

Lastly, the model for determining the equity value was subjected to sensitivity analysis in order to appreciate the change of the results obtained as the adopted measurement parameters change. The analyses conducted did not bring to light any indications of impairment with reference to goodwill, not even based on a stress test approach, using a discount rate "Ke" (+/-50 bps).

Item A.2 "Other intangible assets - Indefinite life" consists of the positive consolidation differences of the following companies:

- Finnat Fiduciaria S.p.A. for 984 thousand euros;
- InvestiRE SGR S.p.A. for 1,693 thousand euros.

As these are intangible assets with indefinite useful life, an impairment test was carried out in accordance with the provisions of IAS 36. The tests conducted did not show any impairment to record in the income statement.

In view of the option envisaged by IFRS 16.4, the Group decided not to apply the standard to any operating leases on intangible assets. Therefore, the item does not include rights of use acquired under operating leases (as lessee) and relating to the use of an intangible asset.

Section 11 - Tax assets and liabilities - Items 110 (assets) and 60 (liabilities)

Current tax assets totalled 651 thousand euros (809 thousand euros at 31 December 2020) and concerned mainly an IRES receivable from the domestic consolidated tax system of 587 thousand euros and receivables for additional IRES referred to the Bank for 59 thousand euros.

Current tax liabilities amounted to 477 thousand euros (487 thousand euros at 31 December 2020) and included IRAP payables for 97 thousand euros and VAT payables to be paid for 327 thousand euros.

Deferred tax assets accounted for with reference to the deductible temporary differences amounted to 9,065 thousand euros (9,510 thousand euros at 31 December 2020) and referred, for 8.887 thousand euros to taxes recognised through profit or loss and for 178 thousand euros to taxes recognised with a corresponding item in equity. Taxes recognised through profit or loss pertain to the Bank for a total of 1,407 thousand euros, InvestiRE SGR S.p.A. for 7,395 thousand euros (of which goodwill for 6,814 thousand euros) and Finnat Fiduciaria S.p.A. for 85 thousand euros; while the taxes recognised with a corresponding item in equity are attributable to the Bank for 119 thousand euros, InvestiRE SGR S.p.A. for 33 thousand euros and Finnat Fiduciaria S.p.A. for 26 thousand euros.

Deferred tax assets as a balancing entry in equity relate exclusively to taxes on negative valuation reserves relating to Financial assets at fair value through other comprehensive income (34 thousand euros) and the recognition of actuarial losses on the Provisions for post-employment benefits (144 thousand euros).

Deferred tax liabilities amounted to 1,256 thousand euros (1,219 thousand euros at 31 December 2020) and are recognised through profit or loss for 108 thousand euros and as a balancing entry in equity for 1,148 thousand euros. The latter exclusively concern taxes on positive valuation reserves relating to Financial assets at fair value through other comprehensive income owned by the Bank.

Deferred tax assets and liabilities have been determined applying the IRES rate, any additional IRES and, where applicable, the IRAP rate in force at the date of preparation of this Report.

* * *

With regard to tax disputes referring to the Bank, an appeal against the unfavourable decision no. 253/07/10 of the Regional Tax Commission of Lazio is still pending. The dispute pertains to assessment notice no. RCB030302029/2005, whereby the Revenue Agency argued that certain operating costs relating to the year 2002 were not deductible for IRPEG and IRAP purposes (costs for advisory services and costs pertaining to a lease agreement).
The Supreme Court, with its decision no. 27786/18 handed down on 19 June 2018, quashed the appeal decision, requiring the Regional Tax Commission of Lazio, with a different composition, to examine the merits of the case again. The Bank filed a prompt appeal to resume the proceedings before the Regional Tax Commission of Lazio. The hearing to discuss the appeal has been set for 22 December 2021. However, it should be pointed out that taxes amounting to 55 thousand euros plus penalties and interest were charged to the previous years' income statements by the Bank.

As regards the Group companies, the subsidiary InvestiRE SGR S.p.A. has a tax dispute in progress, formerly of the merged company Beni Stabili Gestioni S.p.A SGR, regarding the objection to the IRES/IRAP assessment notices for the year 2006. The recovery of taxation concerns the alleged non-deductibility of expenses for property management services for retail funds; the request of the tax authorities for higher direct taxes amounts to 151 thousand euros, plus penalties and interest.
In relation to that dispute, a decision was won at the first instance proceedings and the appeal proceedings were lost; an appeal is pending before the Supreme Court. The entire amount due in the form of taxes, penalties, interest and collection fees was paid at the time, for a total of 351 thousand euros.

Section 13 - Other assets – Item 130

13.1 Other assets: breakdown

	Total 30.06.2021	Total 31.12.2020
Receivables for guarantee deposits	508	508
Deposits with Cassa Compensazione e Garanzia	5,849	5,799
Deposits with Ice Clear Europe	3,511	5,600
Due from counterparties and brokers	12	215
Tax credits for withholding tax	6,948	6,197
Sundry receivables	4,109	4,991
Total	20,937	23,310

LIABILITIES

Section 1 - Financial liabilities at amortised cost - Item 10

1.1 Financial liabilities at amortised cost: breakdown by product of due to banks

Type of transactions/Amounts	Total 30.06.2021				Total 31.12.2020			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Due to Central Banks	-	X	X	X	-	X	X	X
2. Due to banks	348	X	X	X	157	X	X	X
2.1 Current accounts and demand deposits	327	X	X	X	145	X	X	X
2.2 Time deposits	-	X	X	X	-	X	X	X
2.3. Loans	-	X	X	X	-	X	X	X
2.3.1 Repurchase agreements	-	X	X	X	-	X	X	X
2.3.2 Other	-	X	X	X	-	X	X	X
2.4 Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
2.5 Lease payables	21	X	X	X	12	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	348			348	157			157

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

Due to banks refers exclusively to the Parent Company.

1.2 Financial liabilities at amortised cost: breakdown by product of due to customers

Type of transactions/Amounts	Total 30.06.2021				Total 31.12.2020			
	BV	Fair value			BV	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	564,807	X	X	X	506,796	X	X	X
2. Time deposits	175,978	X	X	X	163,377	X	X	X
3. Loans	848,583	X	X	X	853,159	X	X	X
3.1 Repurchase agreements	848,583	X	X	X	853,159	X	X	X
3.2 Other	-	X	X	X	-	X	X	X
4. Payables for commitments to repurchase own equity instruments	-	X	X	X	-	X	X	X
5. Lease payables	16,062	X	X	X	13,894	X	X	X
6. Other payables	33,269	X	X	X	15,580	X	X	X
Total	1,638,699			1,638,699	1,552,806			1,552,806

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

Item 3.1 Repurchase agreements concerns exclusively the transactions carried out by the Bank with Cassa di Compensazione e Garanzia.

Section 2 - Financial liabilities held for trading – Item 20

2.1 Financial liabilities held for trading: breakdown by product

Type of transactions/Amounts	Total 30.06.2021					Total 31.12.2020				
	NV	*Fair value*			*Fair value**	NV	*Fair value*			*Fair value**
		L1	L2	L3			L1	L2	L3	
A. Cash liabilities	-	-	-	-	-	-	-	-	-	-
1. Due to banks	-	-	-	-	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-	-	-	-	-
3. Debt securities	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	X	-	-	-	-	X
3.1.2 Other bonds	-	-	-	-	X	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	X	-	-	-	-	X
3.2.2 Other	-	-	-	-	X	-	-	-	-	X
Total A	-	-	-	-	-	-	-	-	-	-
B. Derivatives	-	-	35	1,800	-	-	-	40	-	-
1. Financial derivatives	-	-	35	1,800	-	-	-	40	-	-
1.1 Held for trading	X	-	35	1,800	X	X	-	40	-	X
1.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
1.3 Other	X	-	-	-	X	X	-	-	-	X
2. Credit derivatives	-	-	-	-	-	-	-	-	-	-
2.1 Held for trading	X	-	-	-	X	X	-	-	-	X
2.2 Related to the fair value option	X	-	-	-	X	X	-	-	-	X
2.3 Other	X	-	-	-	X	X	-	-	-	X
Total B	X	-	35	1,800	X	X	-	40	-	X
Total (A+B)	X	-	35	1,800	X	X	-	40	-	X

Key:
NV = nominal or notional value;
L1 = Level 1; L2 = Level 2; L3 = Level 3
* fair value calculated excluding changes in value due to the change in creditworthiness

Financial liabilities exclusively pertain to the Bank.

Item "B. Derivatives" - Level 2 concern the negative valuation of currency forwards (35 thousand euros) and Level 3 concerns the value of the earn out for the Bank's purchase of InvestiRE SGR S.p.A. shares (1,800 thousand euros). The transaction is illustrated in detail in the "Documento informativo relativo ad operazioni di maggiore rilevanza con parti correlate" (Disclosure on related party transactions of greater significance) published on the Bank's website www.bancafinnat.it, Investor Relations/Corporate Governance/Documento informativo operazione con soggetto collegato e allegati section (in Italian) published on 21 January 2021.

Section 6 - Tax liabilities – Item 60

See Section 11 of assets.

Section 8 - Other liabilities – Item 80

8.1 Other liabilities: breakdown

	Total 30.06.2021	Total 31.12.2020
Social security and insurance contributions to be paid	1,511	1,846
Payables due to employees and contractors	4,377	4,164
Emoluments to be paid to the Directors	317	162
Emoluments to be paid to the Board of Statutory Auditors	151	191
Trade payables	2,298	1,460
Shareholders for dividends to be paid	5,073	1,743
Payables to brokers and institutional counterparties	4,040	951
Tax payables for withholding tax	2,681	3,754
Sundry payables	11,257	4,533
Total	31,705	18,804

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	Total 30.06.2021	Total 31.12.2020
A. Opening balances	5,605	5,920
B. Increases	568	1324
B.1 Allocations for the period	568	1,324
B.2 Other changes	-	-
C. Decreases	747	1639
C.1 Severance indemnities paid out	336	1,061
C.2 Other changes	411	578
D. Closing balances	5,426	5,605

Item B.1 Allocations for the period, includes the actuarial gain of 156 thousand euros recognised among valuation reserves, net of the tax effect, in accordance with IAS 19. In 2020, an actuarial gain of 147 thousand euros was recorded.

Item C.2 Other changes includes payments made to supplementary Social Security Institutes and the INPS Treasury - net of disbursements carried out - as established by Italian Law no. 296/06.

Section 10 – Provisions for risks and charges – Item 100

10.1 Provisions for risks and charges: breakdown

Items/Amounts	Total 30.06.2021	Total 31.12.2020
1. Provisions for credit risk related to commitments and financial guarantees given	116	246
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	69	67
4.1. Legal and tax disputes	-	-
4.2. Personnel expenses	-	-
4.3. Other	69	67
Total	185	313

Item 1. Provisions for credit risk related to commitments and financial guarantees given, exclusively pertaining to the Bank, concerns the collective impairment losses recorded up until 30 June 2021 totalling 103 thousand euros and an individual adjustment carried out in the previous years on an impaired guarantee for 13 thousand euros.
Collective impairment losses on commitments in the period came to 76 thousand euros and collective impairment losses on financial guarantees stood at 54 thousand euros.

Item 4. Other provisions for risks and charges includes the provision made by the Bank in the previous year to cover any indemnity to be paid to an employee for 67 thousand euros and an increase in lease assets relating to restoration charges for 2 thousand euros.

Section 13 - Group equity – Items 120, 150, 170 and 180

13.1 "Share capital" and "Treasury shares": breakdown

At 30 June 2021, the share capital paid up by the Bank was 72,576,000 euros, divided into 362,880,000 ordinary shares with a nominal value of 0.20 euros each.

At 30 June 2021 treasury shares numbered 28,810,640. These shares, totalling 14,059 thousand euros, equal to 7.9% of the share capital, in application of IAS 32, were used to adjust the equity. In the period in question, the Bank did not buy or sell any treasury shares.

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

Items/Types	Ordinary	Other
A. Number of shares at the beginning of the period	362,880,000	
– fully paid-in	362,880,000	-
– not fully paid-in	-	-
A.1 Treasury shares (-)	(28,810,640)	-
A.2 Shares issued: opening balances	**334,069,360**	-
B. Increases	-	-
B.1 New issues	-	-
– against payment:	-	-
- business combinations	-	-
- conversion of bonds	-	-
- exercise of warrants	-	-
- other	-	-
– free of charge:	-	-
- to employees	-	-
- to directors	-	-
- other	-	-
B.2 Sale of treasury shares	-	-
B.3 Other changes	-	-
C. Decreases	-	-
C.1 Derecognition	-	-
C.2 Repurchase of treasury shares	-	-
C.3 Disposal of companies	-	-
C.4 Other changes	-	-
D. Shares issued: closing balances	**334,069,360**	-
D.1 Treasury shares (+)	28,810,640	-
D.2 Number of shares at the end of the period	362,880,000	-
– fully paid-in	362,880,000	-
– not fully paid-in	-	-

13.3 Share capital: additional information

During the period, the Bank's share capital was not subject to change.

13.4 Income-related reserves: additional information

The "Reserves" item amounted to 152,192 thousand euros (151,029 thousand euros at 31 December 2020) and is broken down as follows:

- income-related reserves of the Bank:
  118,954 thousand euros consisting of the legal reserve of 11,804 thousand euros, the extraordinary reserve of 86,151 thousand euros, the dividend adjustment reserve of 6,725 thousand euros, the restated IAS 19 retained earnings reserve of 179 thousand euros, the merger surplus reserve of 524 thousand euros, the reserve for treasury shares purchased of 14,059 thousand euros and the restated IFRS 9 negative reserve of 488 thousand euros;
- other reserves:
  33,238 thousand euros consisting of the reserve for the realised gain on treasury shares of Euro 4,277 thousand euros and net losses on the sale of shares in the portfolio Financial assets at fair value through other comprehensive income of 35 thousand euros, with the difference made up by the consolidation reserve.

Section 14 – Non-controlling interests – Item 190

14.1 Breakdown of item 190 "Non-controlling interests"

Company name	Total 30.06.2021	Total 31.12.2020
Equity investments in consolidated companies with significant non-controlling interests		
1. InvestiRE SGR S.p.A.	31,806	39,787
Other equity investments	597	651
Total	32,403	40,438

The non-controlling interests relating to Investire SGR S.p.A. decreased compared to 31 December 2020, mainly due to the purchase by the Bank, which resulted in the decrease in the percentage of non-controlling interests from 49.84% to 40.85%.

Part C – Information on the Income Statement

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

Items/Types	Debt securities	Loans	Other transactions	Total 1st half 2021	Total 1st half 2020
1. Financial assets at fair value through profit or loss	26	-	-	26	418
1.1. Financial assets held for trading	26	-	-	26	418
1.2 Financial assets at fair value	-	-	-	-	-
1.3 Other financial assets mandatorily measured at fair value	-	-	-	-	-
2. Financial assets at fair value through other comprehensive income	237	-	X	237	590
3. Financial assets at amortised cost:	1,236	3,640	-	4,876	6,873
3.1 Loans and receivables with banks	-	2	X	2	26
3.2 Loans and receivables with customers	1,236	3,638	X	4,874	6,847
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	-	-	2
6. Financial liabilities	X	X	X	2,206	1,601
Total	1,499	3,640	-	7,345	9,484
of which: interest income on impaired financial assets	-	394	-	394	509
of which: interest income on financial leases	-	-	-	-	-

1.3 Interest and similar expense: breakdown

Items/Types	Payables	Securities	Other transactions	Total 1st half 2021	Total 1st half 2020
1. Financial liabilities at amortised cost	775	-	-	775	746
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	-	X	X	-	1
1.3 Due to customers	775	X	X	775	745
1.4 Securities issued	X	-	X	-	-
2. Financial liabilities held for trading	-	-	-	-	-
3. Financial liabilities at fair value	-	-	-	-	-
4. Other liabilities and provisions	X	X	-	-	-
5. Hedging derivatives	X	X	-	-	-
6. Financial assets	X	X	X	781	422
Total	775	-	-	1,556	1,168
of which: interest expense related to lease payables	68	-	-	68	124

Net Interest income, almost exclusively pertaining to the Bank, totalled 5,789 thousand euros compared to 8,316 thousand euros in the same period of 2020.

Section 2 - Fees and commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service/Amounts	Total 1st half 2021	Total 1st half 2020
a) guarantees given	102	95
b) credit derivatives	-	-
c) administration, brokerage and advisory services:	25,054	22,857
1. trading in financial instruments	3,039	3,316
2. currency dealing	-	-
3. portfolio management	16,930	15,704
3.1. individual	3,153	2,947
3.2. collective	13,777	12,757
4. custody and administration of securities	308	242
5. depositary bank	-	-
6. placement of securities	2,304	1,697
7. receipt and transmission of orders	31	-
8. advisory services	1,382	817
8.1. on investments	713	392
8.2. on financial structure	669	425
9. distribution of third-party services	1,060	1,081
9.1. portfolio management	77	66
9.1.1. individual	-	-
9.1.2. collective	77	66
9.2 insurance products	983	1,015
9.3. other products	-	-
d) collection and payment services	157	150
e) servicing related to securitisations	-	-
f) factoring services	-	-
g) tax collection office services	-	-
h) management of multilateral trading systems	-	-
i) keeping and management of current accounts	236	202
j) other services	1,410	1,430
Total	26,959	24,734

2.2 Fee and commission expense: breakdown

Services/Amounts	Total 1st half 2021	Total 1st half 2020
a) guarantees received	-	-
b) credit derivatives	-	-
c) administration and brokerage services:	576	836
1. trading in financial instruments	369	627
2. currency dealing	-	-
3. portfolio management:	22	44
3.1 own portfolios	22	21
3.2 third party portfolios	-	23
4. custody and administration of securities	171	158
5. placement of financial instruments	14	7
6. off-premises sale of financial instruments, products and services	-	-
d) collection and payment services	110	98
e) other services	449	406
Total	1,135	1,340

Net fee and commission income amounted to 25,824 thousand euros compared to 23,394 thousand euros in the first half of 2020. The increase of 2,430 thousand euros, comprises 1,422 thousand euros pertaining to the Bank, 1,005 thousand euros pertaining to the subsidiary InvestiRE SGR and the remainder pertaining to other Group companies.

Section 3 - Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 1st half 2021		Total 1st half 2020	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	6	-	1	1
B. Other financial assets mandatorily measured at fair value	-	505	-	655
C. Financial assets at fair value through other comprehensive income	211	-	424	-
D. Equity investments	-	-	-	-
Total	217	505	425	656

The item showed a balance of 722 thousand euros (1,081 thousand euros in the first half of 2020).

Section 4 - Net trading expense - Item 80

4.1 Net trading expense: breakdown

Transactions/Income items	Gains (A)	Profit from trading (B)	Losses (C)	Losses from trading (D)	Net income [(A+B) - (C+D)]
1. Financial liabilities held for trading	633	154	49	26	712
1.1. Debt securities	39	20	-	1	58
1.2 Equity instruments	92	130	35	15	172
1.3 UCI units	502	4	14	10	482
1.4 Loans	-	-	-	-	-
1.5 Other	-	-	-	-	-
2. Financial liabilities held for trading	-	-	-	-	-
2.1. Debt securities	-	-	-	-	-
2.2 Payables	-	-	-	-	-
2.3 Other	-	-	-	-	-
3. Financial assets and liabilities: exchange rate differences	X	X	X	X	392
4. Derivatives	87	146	61	81	77
4.1. Financial derivatives:	87	146	61	81	77
- on debt securities and interest rates	-	-	-	-	-
- on equity instruments and share indices	87	146	61	81	91
- on currencies and gold	X	X	X	X	(14)
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	-	-
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	720	300	110	107	1,181

Net trading expense, exclusively pertaining to the Bank, featured a positive balance of 1,181 thousand euros compared to a negative balance of 612 thousand euros in the same period of 2020, and breaks down as follows:

- a positive difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio of 610 thousand euros (in the first half of 2020 there was a negative balance of 734 thousand euros);
- a positive balance between realised profits and losses related to trading on securities and derivatives of 193 thousand euros (in the first half of 2020, a negative balance of 81 thousand euros);
- a negative difference of 14 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards (in the first half of 2020, a positive balance of 374 thousand euros);
- a positive balance of 392 thousand euros between realised foreign exchange gains and losses (in the first half of 2020 a negative balance of 171 thousand euros).

Section 6 - Net gain from disposal or repurchase – Item 100

6.1 Net gain from disposal or repurchase: breakdown

Item/Income items	Total 1st half 2021			Total 1st half 2020		
	Profit	Losses	Net income	Profit	Losses	Net income
A. Financial assets						
1. Financial assets at amortised cost	61	-	61	64	-	64
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	61	-	61	64	-	64
2. Financial assets at fair value through other comprehensive income	19	36	(17)	694	4	690
2.1. Debt securities	19	36	(17)	694	4	690
2.2 Loans	-	-	-	-	-	-
Total assets (A)	80	36	44	758	4	754
B. Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities (B)	-	-	-	-	-	-

Profits for the first half of 2021 relating to item 1.2 Loans and receivables with customers and item 2.1 Debt securities refer to the Bank, while losses refer to Finnat Fiduciaria.

Section 7 - Net losses on other financial assets and liabilities at fair value through profit or loss - Item 110

7.2 Net losses on other financial assets and liabilities at fair value through profit or loss: breakdown of other financial assets mandatorily measured at fair value

Transactions/Income items	Gains (A)	Gains from disposal (B)	Losses (C)	Losses from disposal (D)	Net income [(A+B) - (C+D)]
1. Financial assets	240	12	581	-	(329)
1.1. Debt securities	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-
1.3 UCI units	240	12	581	-	(329)
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: exchange rate differences	X	X	X	X	-
Total	240	12	581	-	(329)

Item 1.3 UCI units Gains (A) comprised 107 thousand euros for the Bank's stake (New Millenium Total Return Flexible Fund of 94 thousand euros and Symphonia Thema Fund of 13 thousand euros) and 132 thousand euros for the units owned by the Bank in InvestiRE SGR S.p.A. (Immobilium Fund of 109 thousand euros and PRS Italy Fund of 23 thousand euros), while the item Losses (C) referred entirely to the units owned by the Bank (mainly referring to the FIP Fund of 536 thousand euros and the Apple Fund of 43 thousand euros). Gains from disposal regarded the subsidiary InvestiRE SGR S.p.A.

At 30 June 2020 the item had a negative balance of Euro 418 thousand euros.

Section 8 - Net impairment losses for credit risk - Item 130

8.1 Net impairment losses for credit risk associated with financial assets at amortised cost: breakdown

Transactions/Income items	Impairment losses (1)			Reversals (2)		Total 1st half 2021 (1) – (2)	Total 1st half 2020
	Stages 1 and 2	Stage 3		Stages 1 and 2	Stage 3		
		Write-offs	Other				
A. Loans and receivables with banks	2	-	-	14	-	(12)	4
- Loans	2	-	-	14	-	(12)	4
- Debt securities	-	-	-	-	-	-	-
of which: acquired or originated impaired	-	-	-	-	-	-	-
B. Loans and receivables with customers	29	179	1,127	810	412	113	2,008
- Loans	2	179	1,127	810	412	86	1,620
- Debt securities	27	-	-	-	-	27	388
of which: acquired or originated impaired	-	-	-	-	-	-	-
Total	31	179	1,127	824	412	101	2,012

Please refer to the comments provided in the asset items Financial assets at amortised cost: breakdown by product of loans and receivables with banks and loans and receivables with customers (asset tables of the notes to the financial statements 4.1 and 4.2).

8.2 Net impairment losses for credit risk associated with financial assets at fair value through other comprehensive income: breakdown

Transactions/Income items	Impairment losses (1)			Reversals (2)		Total 1st half 2021 (1) – (2)	Total 1st half 2020
	Stages 1 and 2	Stage 3		Stages 1 and 2	Stage 3		
		Write-offs	Other				
A. Debt securities	-	-	-	6	-	(6)	(194)
B. Loans	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-
of which: acquired or originated impaired financial assets	-	-	-	-	-	-	-
Total	-	-	-	6	-	(6)	(194)

Section 9 - Net modification gains (losses) - Item 140

The item, exclusively pertaining to the Bank, had a negative balance of 160 thousand euros at 30 June 2021 (it presented a negative balance of 150 thousand euros at 30 June 2020).

Section 12 - Administrative expenses - Item 190

12.1 Personnel expenses: breakdown

Type expenses/Amounts	Total 1st half 2021	Total 1st half 2020
1) Employees	17,808	16,325
a) wages and salaries	12,894	11,920
b) social security charges	3,606	3,191
c) post-employment benefits	308	295
d) social security charges	-	-
e) provisions for post-employment benefits	252	227
f) provisions for retirement funds and similar obligations:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external pension funds:	201	193
- defined contribution plans	201	193
- defined benefit plans	-	-
h) costs from share-based payment agreements	-	-
i) other benefits to employees	547	499
2) Other non-retired personnel	384	339
3) Directors and Statutory Auditors	818	833
4) Retired personnel	-	-
Total	19,010	17,497

Personnel expenses rose by 1,513 thousand euros compared to the previous year, also due to greater provisions for the incentive system and high profile hires in the Bank's staff (at the end of the previous year);

Item 1) e) does not include the actuarial gain referring to IAS provisions for post-employment benefits of 156 thousand euros (actuarial loss of 62 thousand euros in the first half of 2020), recognised - net of the tax effect - among Valuation reserves.

12.5 Other administrative expenses: breakdown

Type expenses/Amounts	Total 1st half 2021	Total 1st half 2020
Rents and condominium fees	199	211
Membership fees	110	131
EDP expenses	43	37
Stationery and printing supplies	19	20
Consultancy and professional services	935	1,006
Outsourced services	1,396	1,260
Independent Auditors fees	125	110
Maintenance	560	595
Utilities and connections	883	816
Postal, transport and shipment fees	22	21
Insurance	141	148
Advertising, publications and sponsorships	154	257
Office cleaning	184	200
Books, newspapers and magazines	48	48
Entertainment expenses	64	44
Travel expenses and mileage-based reimbursements	71	91
Other taxes and duties	2,667	2,204
Security charges	124	112
Contributions to the National Resolution Fund	1,176	923
Other	433	472
Total	9,354	8,706

Other administrative expenses rose by 648 thousand euros compared to the 1st half of 2020.

Following the introduction of IFRS 16, lease payments relating to other administrative expenses are no longer recognised under this item, but instead the amortisation charges of the right of use of 1,378 thousand euros are recognised.

Other administrative expenses include recoveries from customers of some costs allocated under Other operating income, net. Net of those recoveries, other administrative expenses amounted to 6,775 thousand euros and increased by 240 thousand euros compared to the same period of the previous year (6,535 thousand euros), mainly due to greater contributions to the National Resolution Fund.

Section 13 – Net reversals of (accruals to) provisions for risks and charges – Item 200

13.1. Net reversals of (accruals to) provisions for credit risk related to commitments to disburse funds and financial guarantees given: breakdown

	Reversals	Impairment losses	Total 1st half 2021
Commitments to disburse funds	76	-	76
Financial guarantees given	54	-	54
Total	130	-	130

In the first half of 2020 the item, exclusively pertaining to the Bank, had net impairment losses equal to zero.

13.3 Net reversal of (accruals to) provisions for risks and charges: breakdown

	Total 1st half 2021	Total 1st half 2020
Allocations	-	(67)
Utilisation	-	-
Total	-	(67)

Both items of Section 13, are commented on in Section 10 - "Provisions for risks and charges - Item 100" of the liabilities in the Statement of Financial Position.

Section 14 – Depreciation and net impairment losses on property, equipment and investment property – Item 210

14.1 Depreciation and net impairment losses on property, equipment and investment property: breakdown

Assets/Income items	Depreciation (a)	Impairment losses (b)	Reversals (c)	Net income (a+b-c)
A. Property, equipment and investment property				
1. used in operations	1,699	-	-	1,699
- owned	182	-	-	182
- rights of use acquired through leases	1,517	-	-	1,517
2. Investment property	-	-	-	-
- owned	-	-	-	-
- rights of use acquired through leases	-	-	-	-
3. inventory	X	-	-	-
Total	1,699	-	-	1,699

The item Rights of use acquired through leases refers to depreciation relating to employee benefits of 139 thousand euros and other administrative expenses of 1,378 thousand euros.
In the 1st half of 2020 depreciation stood at 1,697 thousand euros (of which 1,502 thousand euros relating to leases).

Section 15 - Amortisation and net impairment losses on intangible assets - Item 220

15.1 Amortisation and net impairment losses on intangible assets: breakdown

Assets/Income items	Depreciation (a)	Impairment losses (b)	Reversals (c)	Net income (a+b-c)
A. Intangible assets				
1. owned	91	-	-	91
- internally generated by the company	-	-	-	-
- other	91	-	-	91
2. rights of use acquired through leases	-	-	-	-
Total	91	-	-	91

In the 1st half of 2020, amortisation stood at 118 thousand euros.

Section 16 - Other operating income, net – Item 230

16.1 Other operating expense: breakdown

	Total 1st half 2021	Total 1st half 2020
Amounts reimbursed to customers	150	36
Amortisation for improvements to third party assets	34	24
Other expenses	684	48
Total	868	108

16.2 Other operating income: breakdown

	Total 1st half 2021	Total 1st half 2020
Rental income	77	72
Recovery of stamp duty	2,304	1,967
Recovery of substitute tax	55	16
Recovery of other expenses	329	296
Dividend waiver and lapse of entitlement	295	253
Other income	336	16
Total	3,396	2,620

Section 16 “Other operating income, net” showed a positive balance of 2,528 thousand euros compared to 2,512 thousand euros in the 1st half of 2020. Income comprises recoveries of costs from customers, amounting to 2,688 thousand euros, of which 2,579 thousand euros referring to other administrative expenses (2,279 thousand euros in the first six months of 2020, of which 2,171 thousand euros referring to other administrative expenses). The item also includes net charges of 647 thousand euros due to settlement agreements (also linked to the acquisition of new customers) and administrative penalties.

Section 17 – Net loss on equity investments - Item 250

17.1 Net loss on equity investments: breakdown

Income items/Amounts	Total 1st half 2021	Total 1st half 2020
1) Jointly-controlled companies		
A. Income	374	-
1. Revaluations	374	-
2. Gains from disposals	-	-
3. Reversals	-	-
4. Other income	-	-
B. Expenses	-	70
1. Write-downs	-	70
2. Impairment losses	-	-
3. Losses from disposal	-	-
4. Other expenses	-	-
Net income	374	(70)
2) Companies subject to significant influence		
A. Income	34	-
1. Revaluations	-	-
2. Gains from disposals	-	-
3. Reversals	34	-
4. Other income	-	-
B. Expenses	-	93
1. Write-downs	-	-
2. Impairment losses	-	93
3. Losses from disposal	-	-
4. Other expenses	-	-
Net income	34	(93)
Total	408	(163)

Among jointly-controlled companies, item A.1 Revaluations shows the profit for the period pertaining to the shareholders of the Parent of REDO SGR S.p.A. (joint venture of InvestiRE SGR S.p.A.).
Among the companies subject to significant influence, item A.3 Recoveries relates to the associated company Imprebanca S.p.A.

Section 21 - Income taxes – Item 300

21.1 Income taxes: breakdown

Income items/Amounts		Total 1st half 2021	Total 1st half 2020
1.	Current taxes (-)	(1,321)	(992)
2.	Changes in current taxes compared with previous periods (+/-)	(13)	1
3.	Reduction in current taxes (+)	-	-
3.bis	Reduction in current taxes for tax receivables as per Italian Law no. 214/2011 (+)	-	-
4.	Change in deferred tax assets (+/-)	(439)	(648)
5.	Change in deferred tax liabilities (+/-)	(7)	59
6.	Income taxes for the period (-) (-1+/-2+3+3bis+/-4+/-5)	(1,780)	(1,580)

Current taxes refer to the Bank (543 thousand euros), to InvestiRE SGR S.p.A., (1,155 thousand euros) and to the other Group companies for the difference.
The change in deferred tax assets regards InvestiRE SGR S.p.A. for 344 thousand euros, the Bank for 85 thousand euros and Finnat Fiduciaria for the difference.

Section 23 - Profit for the period attributable to non-controlling interests – Item 340

23.1 Breakdown of item 340 "Profit for the period attributable to non-controlling interests"

Income items/Amounts	Total 1st half 2021	Total 1st half 2020
Equity investments in consolidated companies with significant non-controlling interests		
1. InvestiRE SGR S.p.A.	1,271	1,104
Other equity investments	75	64
Total	1,346	1,168

The item Other equity investments refers exclusively to Finnat Gestioni S.A.

Section 25 – Earnings per share

25.1 Average number of ordinary shares with diluted capital

The basic and diluted earnings (loss) per share, at consolidated level, are given below, in accordance with IAS 33. As no Group company holds any Parent Company shares, the consolidated figures coincide with those relating to the Bank.

The basic earnings (loss) per share are calculated by dividing the consolidated net income (in euro) of the holders of the Bank's ordinary shares (the numerator) by the weighted average of the ordinary shares outstanding during the period (the denominator).
For the purpose of calculating the basic earnings (loss) per share, the weighted average of the ordinary shares outstanding during the period is calculated based on the ordinary shares outstanding at the beginning of the period, adjusted by the amount of ordinary shares purchased or issued or sold during the period multiplied by the number of days that the shares were outstanding, in proportion to the total days in the period. Shares outstanding do not include treasury shares.
The diluted earnings (loss) per share is calculated by adjusting the consolidated profit (losses) of ordinary shareholders, and likewise the weighted average of the shares outstanding, to take account of any impact by situations that result in dilution.

The following table shows the basic earnings (loss) per share.

	30.06.2021	31.12.2020
Profit for the period (in euros)	2,761,788	5,090,909
Weighted average of ordinary shares	334,069,360	334,069,360
Basic earnings (loss) per share	0.008267	0.015239

The following table shows the diluted earnings (loss) per share.

	30.06.2021	31.12.2020
Adjusted profit for the period (in euros)	2,761,788	5,090,909
Weighted average of ordinary shares with diluted capital	334,069,360	334,069,360
Diluted earnings (loss) per share	0.008267	0.015239

Since the Bank has no transactions under way that might determine changes to the number of shares outstanding and the earnings (loss) of ordinary shareholders, the diluted earnings (loss) per share coincides with the basic earnings per share and it is unnecessary to perform the reconciliation provided for by paragraph 70 of IAS 33.

25.2 Other information

At the end of the reporting period, no financial instruments that could lead to the dilution of the basic earnings (loss) per share had been issued.

Part F – Information on the consolidated equity

Section 1 – Consolidated equity

Qualitative and quantitative information

The Group's equity comprises the Share Capital, Reserves, Treasury Shares, Valuation Reserves and Profit for the period. All financial instruments that are not classified as financial assets or liabilities according to the IAS/IFRS are considered part of the equity.

The consolidated equity of the Group and of non-controlling interests totalled 253,589 thousand euros, of which the equity pertaining to shareholders of the Parent Company amounted to 221,186 thousand euros and non-controlling interests to 32,403 thousand euros.

At 30 June 2021 the Group's valuation reserves (net of taxes) broke down as follows:

	Valuation reserves at 30.06.2021			Valuation reserves at 31.12.2020			Changes in reserves
	Positive changes	Negative changes	Balance (a)	Positive changes	Negative changes	Balance (b)	(a-b)
A) Financial assets at fair value through other comprehensive income							
Parent Company							
Units of CSE S.r.l.	-	80	(80)	-	44	(44)	(36)
Shares of Net Insurance S.p.A.	206	-	206	130	-	130	76
Shares of Sia S.p.A.	4,774	-	4,774	4,774	-	4,774	-
Units of Real Estate Roma Olgiata S.r.l	-	444	(444)	-	444	(444)	-
Shares of Fideuram Asset Management SGR S.p.A.	910	-	910	910	-	910	-
Government securities and bonds	1,413	6	1,407	1,365	5	1,360	47
Net impairment losses for credit risk	67	-	67	90	-	90	(23)
	7,370	530	6,840	7,269	493	6,776	64
Other Group companies							
Government securities and bonds of Finnat Fiduciaria S.p.A.	-	-	-	-	28	(28)	28
Net impairment losses for credit risk	-	-	-	-	-	-	-
	-	-	-	-	28	(28)	28
Total A)	7,370	530	6,840	7,269	521	6,748	92
B) Defined benefit plans	-	489	(489)	-	519	(519)	30
C) Share of valuation reserves of equity-accounted investments	-	-	-	34	-	34	(34)
D) Valuation reserves	1,364	-	1,364	1,364	-	1,364	-
Total (A+B+C+D)	8,734	1,019	7,715	8,667	1,040	7,627	88

Item D) Valuation reserves (It. Law no. 576/75, It. Law no. 72/83 and It. Law no. 413/91) refers to the Parent Company.

Section 2 – Own funds and capital ratios

2.1 Scope of application of the regulations

The Regulatory Capital is determined based on the harmonised regulations for Banks and the Investment companies contained in the Regulation ("CRR") and in the EU Directive ("CRD IV") of 26 June 2013 that transfer to the European Union the standards defined by the Basel Committee on Banking Supervision (known as Basel 3).
In order to enact the regulations, the Bank of Italy issued Circular no. 285 "Prudential Supervision Provisions for Banks" on 17 December 2013.

2.2 Own funds

Own funds at 30 June 2021 amounted to 184,999 thousand euros (184,465 thousand euros at 31 December 2020), whereas the Total capital ratio, the CET1 capital ratio and the Tier1 ratio stood at 31.4% (34.9% at 31 December 2020). The Bank exercised the option to apply the transitional provisions for the deferment over time of the impacts of the application of the new accounting standard on own funds - illustrated in the section "Market disclosure information". Without this application, Own funds would have been equal to 183,791 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would have been equal to 31.3%.

These ratios widely exceed minimum capital requirements at consolidated level mandated for us by the Bank of Italy on conclusion of the supervisory review and evaluation process (SREP) established by Directive no. 2013/36/EU (CRD IV).

A. Qualitative information

Own funds form the primary coverage of risks connected with the overall banking business, and constitute the main reference ratio for assessment regarding banking soundness.
These are composed of the sum of:

1. Common Equity Tier 1 (CET1)	184,999
2. Additional Tier 1 (AT1)	-
3. Tier 2 (T2)	-

B. Quantitative information

	Total 30.06.2021	Total 31.12.2020
A. Common Equity Tier 1 (CET1) before application of prudential filters	232,833	231,878
of which CET1 instruments subject to transitional provisions	-	-
B. Prudential filters for CET1 (+/-)	(333)	(376)
C. CET1 before elements to be deducted and the effects of the transitional regime (A+/-B)	232,500	231,502
D. Elements to be deducted from CET1	48,708	48,727
E. Transitional regime - Impact on CET1 (+/-)	1,207	1,690
F. Total Common Equity Tier 1 (CET1) (C - D+/- E)	184,999	184,465
G. Additional Tier 1 (AT1) before elements to be deducted and the effects of the transitional regime	-	-
of which AT1 instruments subject to transitional provisions	-	-
H. Elements to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-)	-	-
L. Additional Tier 1 (AT1) (G-H+/-I)	-	-
G. Tier 2 (T2) before elements to be deducted and the effects of the transitional regime	-	-
of which T2 instruments subject to transitional provisions	-	-
N. Elements to be deducted from T2	-	-
O. Transitional regime - Impact on T2 (+/-)	-	-
P. Total Tier 2 (T2) (M-N +/-O)	-	-
Q. Total own funds (F+L+P)	184,999	184,465

2.3 Capital adequacy

A. Qualitative information

Italian banks must meet a minimum CET1 ratio of 4.5%, a Tier1 ratio of 6% and a Total Capital Ratio of 8%. In addition to these minimum ratios, the new regulations require banks to also hold a capital conservation buffer (CCB) equal to 2.5% of the bank's total exposure to risk, composed of Common Equity Tier 1, bringing the total requirement up to 10.5%.

As can be seen in the table on the breakdown of risk assets and regulatory ratios, the Group has a Total Capital Ratio, a CET1 Capital Ratio and a Tier1 Capital Ratio of 31.4%. These ratios widely exceed minimum capital requirements at consolidated level mandated for us by the Bank of Italy on conclusion of the supervisory review and evaluation process (SREP) established by Directive no. 2013/36/EU (CRD IV).

B. Quantitative information

Categories/Amounts	**Unweighted amounts**		**Weighted amounts/requirements**	
	30.06.2021	**31.12.2020**	**30.06.2021**	**31.12.2020**
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standardised approach	2,778,448	2,691,542	438,804	374,889
2. Internal ratings based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			35,104	29,991
B.2 Credit valuation adjustment risk			21	3
B.3 Settlement risk			-	-
B.4 Market risk			906	1,147
1. Standardised approach			906	1,147
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			11,097	11,097
1. Basic indicator approach			11,097	11,097
2. Standardised approach			-	-
3. Advanced method			-	-
B.6 Other elements of the calculation			-	-
B.7 Total prudential requirements			47,128	42,238
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			589,101	527,963
C.2 Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio)			31.4%	34.9%
C.3 Tier 1/Risk-weighted assets (Tier 1 capital ratio)			31.4%	34.9%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			31.4%	34.9%

Part H – Related party transactions

In terms of related party transactions, the Bank has complied with the Regulations for related party transactions, approved by the Board of Directors on 2 August 2013.

For further information on related party transactions carried out during the period, please refer to the paragraph in the Report on Parent Operations.

As required by IAS 24, information on related party transactions is provided below.

1. Information on remuneration of management with strategic responsibilities

As a result of the amendments made by Consob to its resolution no. 11971 of 14 May 1999 for the aforesaid information, please refer to the "Report on Remuneration" prepared in accordance with Article 123-ter of the Italian Consolidated Financial Law and according to form 7-bis of Annex 3A of the Issuers' Regulation.

2. Information on related party transactions

The following table shows the assets, liabilities, guarantees and commitments at 30 June 2021 separately for different types of related parties under IAS 24.

STATEMENT OF FINANCIAL POSITION	Financial receivables (payables)	Other receivables (payables)	Sureties issued		Available margins on sureties and irrevocable credit lines granted
ASSOCIATED COMPANIES AND JOINT VENTURES	(3,818)	-	51		-
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND COMPANY REPRESENTATIVES	(989)	-	-		-
OTHER RELATED PARTIES	(541)	408	50		-

Receivables (payables) for the domestic consolidated tax system and Other receivables (payables) are included in the financial statement items "Other assets" and "Other liabilities".

INCOME STATEMENT	Interest income (expense)	Fee and commission income (expense)
ASSOCIATED COMPANIES AND JOINT VENTURES	12	4

Part L – Segment reporting

A – Primary reporting

For the purpose of identifying operating segments and establishing the figures to be allocated, the segment reporting of the Banca Finnat Group is based on its organisation and management structure, along with the internal reporting system used to support the management's operating decisions.

The Banca Finnat Group operates primarily in Italy.

For IAS segment reporting purposes, the Group has adopted the management approach, selecting as the primary representative base, for the breakdown of its statement of financial position and income statement figures, the main business sectors through which it carries out its consolidated activities and which constitute the internal reporting segments used by the Management for allocating resources and analysing the related performance. In addition to reflecting the operational responsibilities specified by the Group's organisational assets, the business segments consist of the aggregation of business units that have similar characteristics with reference to the type of products and services sold.

The segments identified for providing an operation-based description of the Group results are:
- Private Banking (comprises the offer of investment services and of typical banking services to the Bank's private customers).
- Investment Banking (comprises the services offered to the Bank's institutional customers and by the company of the Natam SA Group, the treasury activity and the management and development of trading activities on its own behalf and on behalf of third parties).
- Advisory and Corporate Finance (comprises the advisory services provided by the Bank in the sector of corporate finance and assistance in extraordinary finance transactions directed at corporate customers).
- Trusteeship (comprises the trusteeship services offered to customers through the companies of the Finnat Fiduciaria Group and Finnat Gestioni SA).
- Asset Management - Real Estate Fund Management (comprises the management of real estate funds carried out by the company of the InvestiRE SGR Group).
- Financial Holding and Governance Centre (comprises the strategic investments held by the Bank and the activities of supervision of the Group's direction, coordination and control functions; overhead costs and intra-group cancellations fall into this sector).

Income Statement calculation criteria by business segment

The calculation of pre-tax profit by business segment is based on the following criteria:
- Net interest income: the Bank's net interest income, allocated in the Private Banking, Investment Banking and Financial Holding sectors, is calculated by contribution on the basis of the "Internal Transfer Rates" differentiated by products and due dates; as regards the other Group entities, the various differences between interest and similar income and expense were allocated to the relevant Business Area.
- Net fee and commission income: this was identified through the direct allocation of the income components on various business segments.
- Net trading expense: this was attributed to the business segments that actually generated that profit.
- Dividends, Net gain from disposal or repurchase of financial assets at amortised cost and financial assets at fair value through other comprehensive income: these are reclassified line-by-line on the individual segments concerned.

- Net losses on other financial assets and liabilities mandatorily measured at fair value: these were attributed to the business segments that actually generated that profit.
- Operating costs: the aggregate includes personnel expenses, other administrative expenses (net of recovered costs), depreciation and net impairment losses on property, equipment and investment property and amortisation and net impairment losses on intangible assets, allocations to provisions for risks and charges and other operating income, net. The operating costs of the subsidiaries go directly into the business segment in which they are included; concerning Banca Finnat, the allocation among the different business segments takes place by the application of a "cost allocation" model (in relation to specific criteria, referred to the activity carried out) for all costs for which attribution to the business centres on the basis of the unique functional position of the resources is not possible.
- Net impairment losses for credit risk associated with financial assets at amortised cost and financial assets at fair value through other comprehensive income: these are allocated line-by-line on the individual sectors.

Criteria for calculating the statement of financial position aggregates by business segment

Statement of financial position aggregates were calculated according to the matching concept, with costs/revenues allocated to the single segments.
In particular:
- loans and receivables with customers are the assets directly employed in the operating activities of the segment and directly attributable thereto;
- due to customers and securities issued are the liabilities that result from the operating activities of each sector that are directly attributable to that segment.

Assets/liabilities that cannot be reasonably attributed were allocated to the "Financial Holding and Governance Centre" segment.

The activities carried out in the year by the individual segments are commented on in the Report on Group Operations.

Consolidated aggregated income statement values for the first half of 2021 by business segment

Business segments	***Private Banking***	***Investment Banking (*)***	***Advisory & Corporate Finance***	**Trusteeship**	**Asset Management - Real Estate Fund**	**Financial Holding and Governance Centre (**)**	**TOTAL**
Net interest income	1,576	4,057	-	9	(44)	191	5,789
Net fee and commission income	8,615	2,670	704	1,152	12,827	(144)	25,824
Dividends	115	51	-	-	-	556	722
Net trading expense	-	1,181	-	-	-	-	1,181
Net gain from disposal or repurchase of:	-	80	-	(36)	-	-	44
a) financial assets at amortised cost	-	61	-	-	-	-	61
b) financial assets at fair value through other comprehensive income	-	19	-	(36)	-	-	(17)
Net losses on other financial assets and liabilities at fair value through profit or loss	-	63	-	-	145	(537)	(329)
b) other financial assets mandatorily measured at fair value	-	63	-	-	145	(537)	(329)
TOTAL INCOME	10,306	8,102	704	1,125	12,928	66	33,231
Operating costs	(8,071)	(2,357)	(642)	(452)	(8,819)	(7,155)	(27,496)
Net impairment losses for credit risk associated with:	196	(35)	63	75	13	(407)	(95)
a) financial assets at amortised cost	196	(41)	63	75	13	(407)	(101)
b) financial assets at fair value through other comprehensive income	-	6	-	-	-	-	6
Net modification gains (losses)	(160)	-	-	-	-	-	(160)
Net loss on equity investments	-	-	-	-	-	408	408
PROFIT BEFORE TAXES	2,271	5,710	125	748	4,122	(7,088)	5,888

(*) The data relating to the "Investment Banking" sector include the activities of the Luxembourg Management Company Natam. (**) The data relating to "Financial Holding and Government Centre" include overhead costs and intra-group eliminations.

Consolidated aggregate income statement values for the first half of 2020 by business segment

Business segments	***Private Banking***	***Investment Banking (*)***	***Advisory & Corporate Finance***	**Trusteeship**	**Asset Management - Real Estate Fund**	**Financial Holding and Governance Centre (**)**	**TOTAL**
Net interest income	1,683	6,417	-	8	(50)	258	8,316
Net fee and commission income	7,491	2,642	425	1,164	11,822	(150)	23,394
Dividends	150	52	-	-	-	879	1,081
Net trading expense	-	(612)	-	-	-	-	(612)
Net gain from disposal or repurchase of:	-	754	-	-	-	-	754
a) financial assets at amortised cost	-	64	-	-	-	-	64
b) financial assets at fair value through other comprehensive income	-	690	-	-	-	-	690
Net losses on other financial assets and liabilities at fair value through profit or loss	-	(118)	-	-	(155)	(145)	(418)
b) other financial assets mandatorily measured at fair value	-	(118)	-	-	(155)	(145)	(418)
TOTAL INCOME	**9,324**	**9,135**	**425**	**1,172**	**11,617**	**842**	**32,515**
Operating costs	(7,247)	(2,285)	(593)	(497)	(8,085)	(6,866)	(25,573)
Net impairment losses for credit risk associated with:	(1,387)	(329)	(71)	51	31	(113)	(1,818)
a) financial assets at amortised cost	(1,387)	(483)	(71)	11	31	(113)	(2,012)
b) financial assets at fair value through other comprehensive income	-	154	-	40	-	-	194
Net modification gains (losses)	(150)	-	-	-	-	-	(150)
Net loss on equity investments	-	-	-	-	-	(163)	(163)
PROFIT BEFORE TAXES	**540**	**6,521**	**(239)**	**726**	**3,563**	**(6,300)**	**4,811**

(*) The data relating to the "Investment Banking" sector include the activities of the Luxembourg Management Company Natam.
(**) The data relating to "Financial Holding and Government Centre" include overhead costs and intra-group eliminations.

Consolidated aggregate Statement of Financial Position values at 30 June 2021 by business segment

Business segments	*Private Banking*	*Investment Banking (*)*	*Advisory & Corporate Finance*	Trusteeship	Asset Management - Real Estate Fund	Financial Holding and Governance Centre (**)	TOTAL
Assets							
Financial assets at fair value through profit or loss	-	8,331	-	-	4,941	19,882	33,154
a) financial assets held for trading	-	8,331	-	-	-	-	8,331
c) other financial assets mandatorily measured at fair value	-	-	-	-	4,941	19,882	24,823
Financial assets at fair value through other comprehensive income	-	279,553	-	5	1	11,972	291,531
Financial assets at amortised cost	340,355	1,100,761	909	6,119	39,317	27,672	1,515,133
a) loans and receivables with banks	-	122,795	-	5,409	34,018	(14,937)	147,285
b) loans and receivables with customers	340,355	977,966	909	710	5,299	42,609	1,367,848
Equity investments	-	-	-	-	4,416	6,652	11,068
Liabilities							
Financial liabilities at amortised cost	665,909	971,678	-	234	5,604	(4,378)	1,639,047
a) due to banks	-	328	-	20	-	-	348
b) due to customers	665,909	971,350	-	214	5,604	(4,378)	1,638,699
c) securities issued	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	1,835	1,835

(*) The data relating to the "Investment Banking" sector include the activities of the Luxembourg Management Company Natam.
(**) The data relating to "Financial Holding and Government Centre" include intra-group eliminations.

Consolidated aggregate Statement of Financial Position values at 30 June 2020 by business segment

Business segments	*Private Banking*	*Investment Banking (*)*	*Advisory & Corporate Finance*	Trusteeship	Asset Management - Real Estate Fund	Financial Holding and Governance Centre (**)	TOTAL
Assets							
Financial assets at fair value through profit or loss	-	57,567	-	-	630	20,368	78,565
a) financial assets held for trading	-	57,567	-	-	-	-	57,567
c) other financial assets mandatorily measured at fair value	-	-	-	-	630	20,368	20,998
Financial assets at fair value through other comprehensive income	-	296,728	-	1,513	1	11,041	309,283
Financial assets at amortised cost	296,800	1,120,099	786	4,455	39,693	16,721	1,478,554
a) loans and receivables with banks	-	95,664	-	3,660	35,445	(8,445)	126,324
b) loans and receivables with customers	296,800	1,024,435	786	795	4,248	25,166	1,352,230
Equity investments	-	-	-	-	4,378	6,652	11,030
Liabilities	-	-	-	-	-	-	
Financial liabilities at amortised cost	580,748	1,087,843	-	310	6,472	441	1,675,814
a) due to banks	-	278	-	-	-	-	278
b) due to customers	571,195	1,086,705	-	310	6,472	441	1,665,123
c) securities issued	9,553	860	-	-	-	-	10,413
Financial liabilities held for trading	-	-	-	-	-	32	32

(*) The data relating to the "Investment Banking" sector include the activities of the Luxembourg Management Company Natam.
(**) The data relating to "Financial Holding and Government Centre" include intra-group eliminations.

B – Secondary reporting

The distribution of statement of financial position and income statement figures by geographical area is not shown due to the fact that the Group operates almost exclusively in Italy.

Significant non-recurring operations and positions or transactions deriving from atypical and/or unusual operations

Pursuant to the Consob Communication no. DEM/6064293 of 28 July 2006, it should be noted that:

- during the first half of 2021, no non-recurring events occurred or were carried out, meaning events or operations that do not usually take place, in connection with ordinary business operations;
- no atypical and/or unusual transactions took place during the first half of 2021, either within the Group or with related or third parties. Atypical and/or unusual transactions are those operations which, due to their magnitude/importance, to the nature of the counterparty, to the subject matter of the transaction and to the method for determining the transfer price and time frame (close to the period-end), may give rise to doubts as to: the accuracy/completeness of the information set out in the financial statements, any conflict of interest, the safeguarding of the company's net worth and the protection of non-controlling interests.

The most significant Group transactions in the first half of 2021 are commented on in a special section of the Interim Report on Operations.

ATTESTAZIONE DEL BILANCIO CONSOLIDATO SEMESTRALE ABBREVIATO AI SENSI DELL'ART. 81-TER DEL REGOLAMENTO CONSOB N. 11971 DEL 14 MAGGIO 1999 E SUCCESSIVE MODIFICHE E INTEGRAZIONI

1. I sottoscritti Arturo Nattino in qualità di Amministratore Delegato e Giulio Bastia in qualità di Dirigente preposto alla redazione dei documenti contabili societari di Banca Finnat Euramerica S.p.A. attestano, tenuto anche conto di quanto previsto dall'art. 154-bis, commi 3 e 4, del decreto legislativo 24 febbraio 1998, n. 58:
   - l'adeguatezza in relazione alle caratteristiche dell'impresa e
   - l'effettiva applicazione

   delle procedure amministrative e contabili per la formazione del Bilancio consolidato semestrale abbreviato al 30 giugno 2021.

2. Al riguardo non sono emersi aspetti di rilievo.

3. Si attesta, inoltre, che:

   3.1. il Bilancio consolidato semestrale abbreviato:

   a. è redatto in conformità ai principi contabili internazionali applicabili riconosciuti nella Comunità europea ai sensi del regolamento (CE) n. 1606/2002 del Parlamento europeo e del Consiglio, del 19 luglio 2002;
   b. corrisponde alle risultanze dei libri e delle scritture contabili;
   c. è idoneo a fornire una rappresentazione veritiera e corretta della situazione patrimoniale, economica e finanziaria dell'emittente e dell'insieme delle imprese incluse nel consolidamento.

   3.2. La Relazione intermedia sulla gestione comprende un'analisi attendibile dei riferimenti agli eventi importanti che si sono verificati nei primi sei mesi dell'esercizio e alla loro incidenza sul Bilancio consolidato semestrale abbreviato, unitamente a una descrizione dei principali rischi e incertezze per i sei mesi restanti dell'esercizio. La Relazione intermedia sulla gestione comprende, altresì, un'analisi attendibile delle informazioni sulle operazioni rilevanti con parti correlate.

Roma, 10 settembre 2021

Amministratore Delegato

(Arturo Nattino)

Il Dirigente preposto alla redazione dei documenti contabili societari

(Giulio Bastia)

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(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the shareholders of
Banca Finnat Euramerica S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Banca Finnat Euramerica Group, comprising the statement of financial position as at 30 June 2021, the income statement and the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The 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 Banca Finnat Euramerica Group as at and for the six months ended 30 June 2021 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.

Roma, 13 September 2021

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

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Tax Identification No.	00168220069	E-mail	banca@finnat.it
VAT Registration No.	00856091004	Investor Relations	investor.relator@finnat.it
Unique Code (SDI)	IOPVBGU		

The Company is listed on the official market and its shares are admitted to trading on the STAR segment.
The above data refers to the Parent Company Banca Finnat Euramerica S.p.A.

www.bancafinnat.it