BANCA FINNAT

GRUPPO BANCA FINNAT

CONSOLIDATED HALF-YEARLY FINANCIAL REPORT AT 30 JUNE 2022

2022

Consolidated half-yearly financial report at 30 June 2022

Contents

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 19 May 2021 and confirmed in his office by the Shareholders' Meeting of 28 April 2022.

BOARD OF STATUTORY AUDITORS

Salvatore Ferri

Chairman

Laura Bellicini

Permanent Auditor

Barbara Fasoli Braccini

Permanent Auditor

Nicola Pironti di Campagna

Alternate Auditor

Monica Petrella

Alternate Auditor

MANAGEMENT

Arturo Nattino

General Manager

Giulio Bastia

Assistant General Manager, Deputy of the General Manager and Financial Reporting Manager

Alberto Alfiero

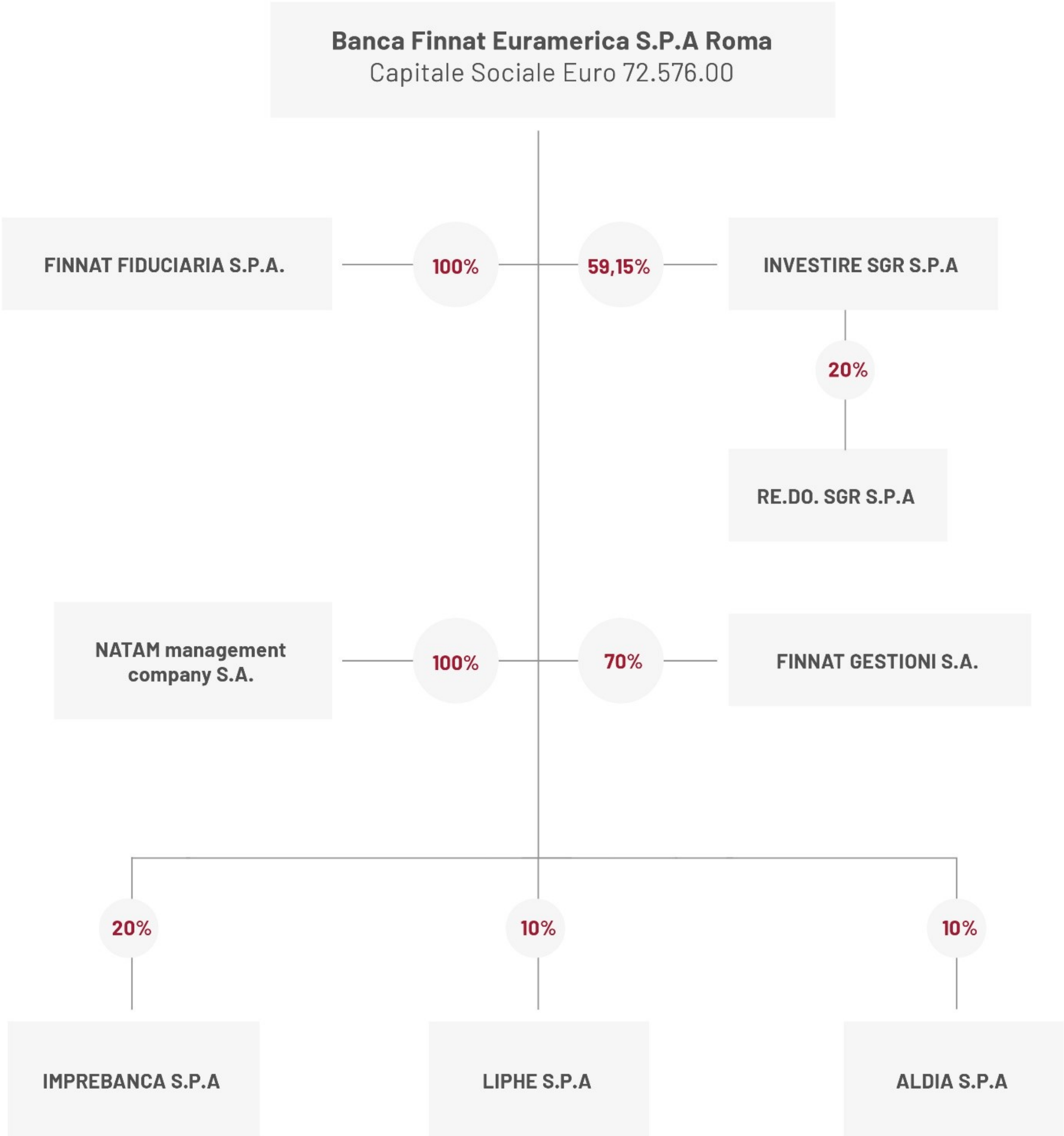
Deputy General Manager

INDEPENDENT AUDITORS

KPMG S.p.A.

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

2022



Compared to 31 December 2021, the structure of the Group has not changed.

In addition to the aforementioned equity investments, from July 2021, the Bank also fully consolidates the BFE Revalue Fund, a wholly owned structured entity.

GROUP KEY DATA

	30.06.2022	31.12.2021	30.06.2021
GROUP CONSOLIDATED EQUITY (in thousands of euros)	216,388	227,200	221,186
GROUP HUMAN RESOURCES	350	347	354
CONSOLIDATED PROFIT (in thousands of euros)	2,278	6,130	2,762

STOCK EXCHANGE CAPITALISATION OF BANCA FINNAT EURAMERICA

	Number of shares	Stock Exchange Listing 29 July 2022	Capitalisation 29 July 2022 (in thousands of euros)	Consolidated Equity (in thousands of euros)	Share capital (in thousands of euros)
ORDINARY SHARES	362,880,000	0.3120	113,219	216,388	72,576

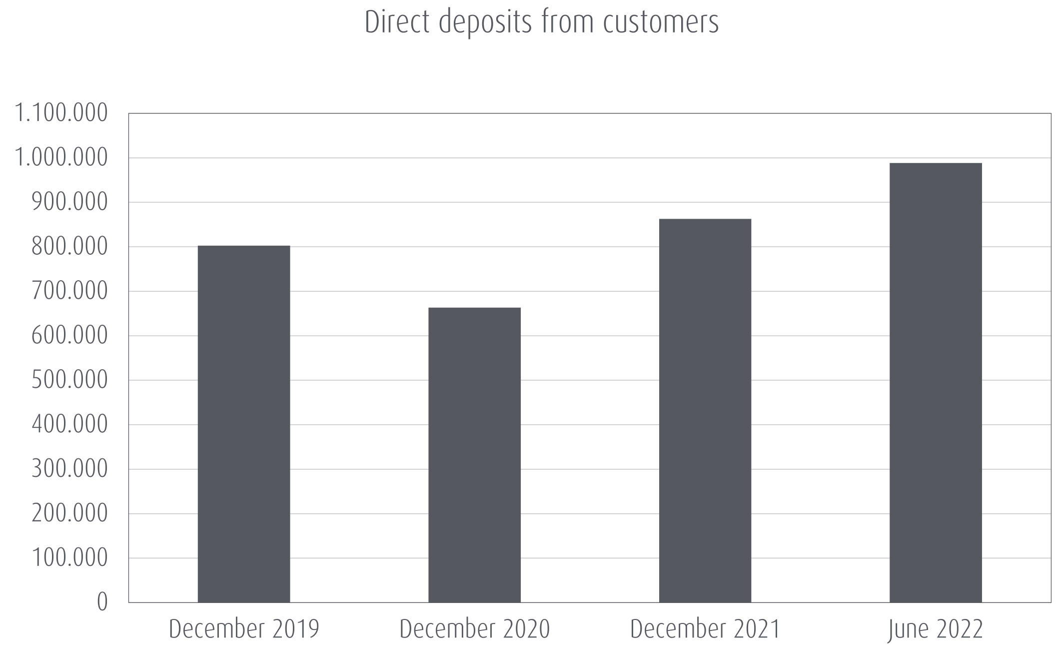
CHANGES IN THE GROUP'S DEPOSITS (in thousands of euro)

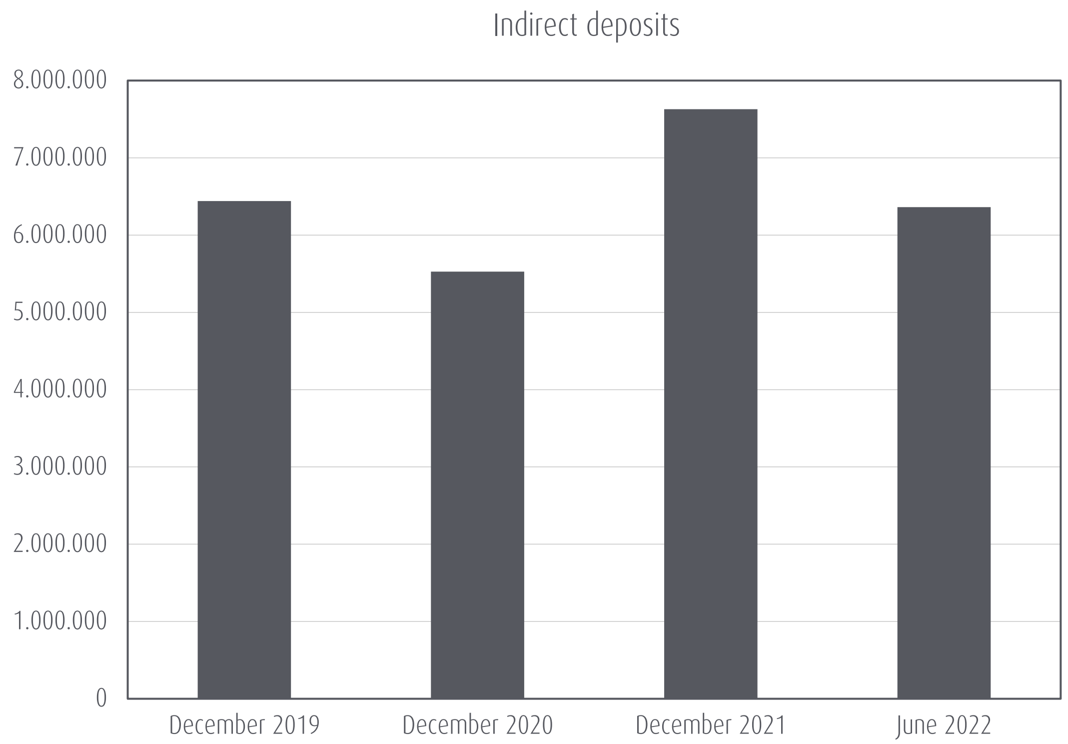
	December 2019	December 2020	December 2021	June 2022
Direct deposits from customers of the parent company	802,644	663,025	862,508	988,441
- Due to customers (current accounts)	565,790	478,268	649,618	746,955
- Time deposits	211,941	184,757	212,890	241,486
- Securities issued	24,913	-	-	-
Indirect deposits of the parent company	6,441,594	5,528,219	7,629,116	6,362,670
- Individual management	484,820	516,798	696,647	663,523
- Delegated management	279,479	256,551	316,372	275,598
- Deposits under administration (UCIs and securities)	4,539,880	3,524,466	5,202,756	4,093,355
- Deposits under administration under advice (UCIs and securities)	859,826	921,118	1,045,216	970,307
- Third party insurance products	277,589	309,286	368,125	359,887
Trusteeship	1,881,194	1,844,502	1,878,158	1,815,684
Real Estate Fund Management	7,078,247	6,643,328	6,976,727	7,139,161
Luxembourg-based Sicav fund administration	770,279	767,470	763,865	678,949
Total deposits	16,973,958	15,446,544	18,110,374	16,984,905

Total assets amounted to 16.98 billion euros, a decrease of 6% compared to the end of last year. This change was mainly attributable to the 17% decrease in the Bank's indirect deposits, caused mainly by the decline in equity and bond indices.

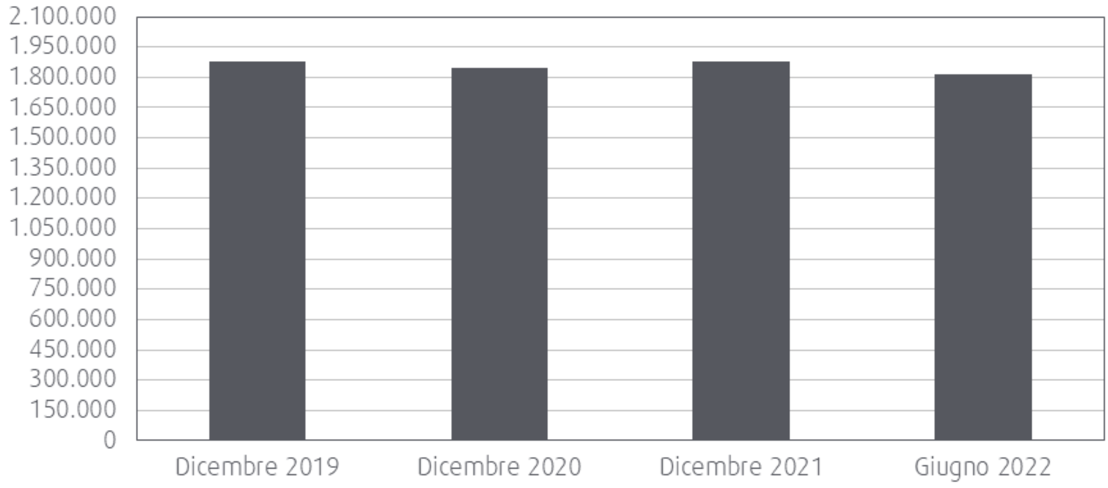
The above table shows the changes in the Group's deposits broken down by type. In detail: a) direct and indirect deposits from customers refer to the Bank's operations and do not include repurchase agreements having the Cassa di Compensazione e Garanzia as the counterparty; b) trusteeship deposits include 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.

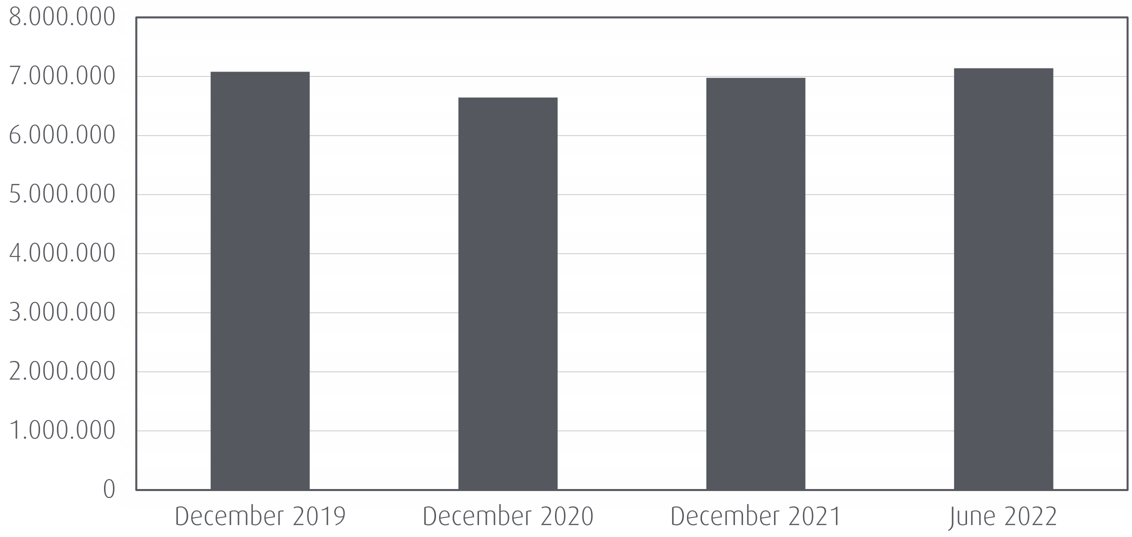




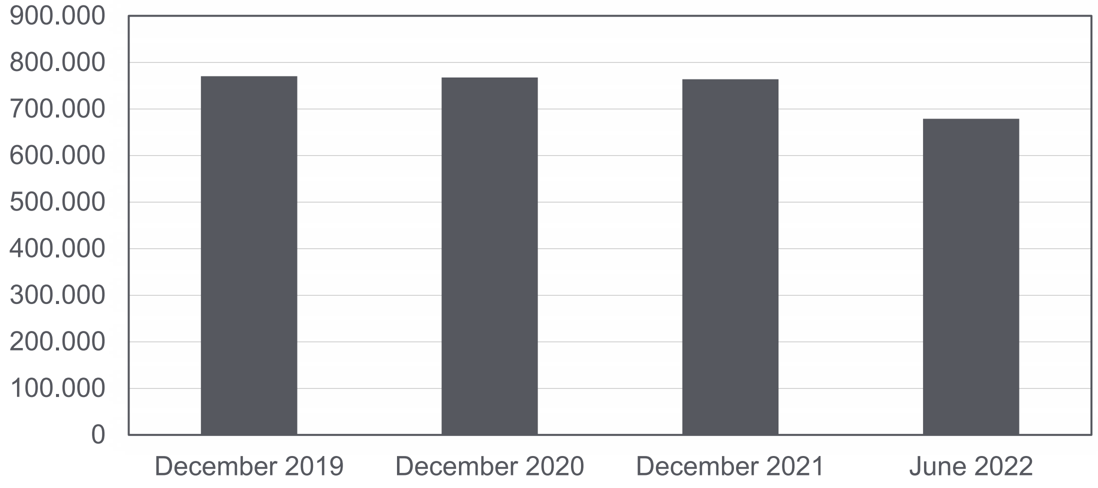
Attività Fiduciaria



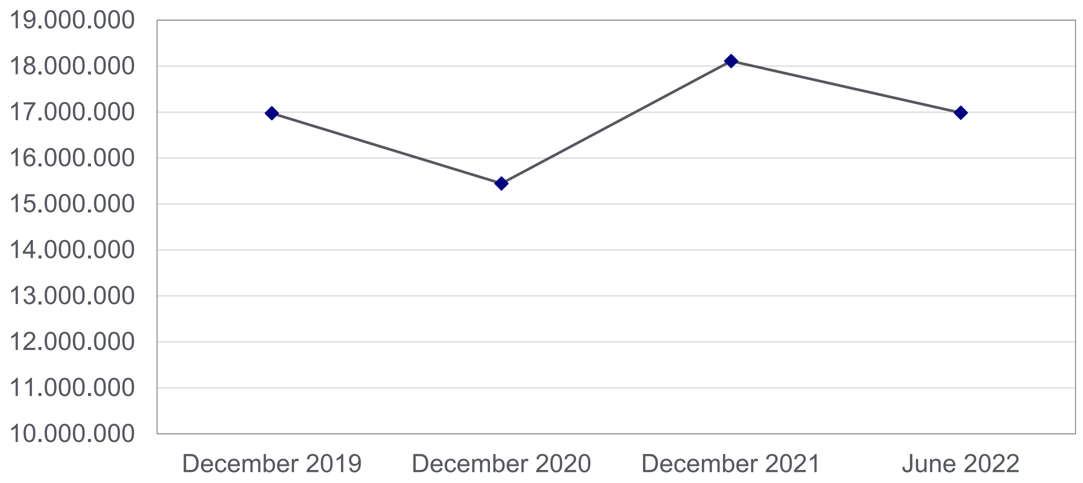
Real Estate Funds



Luxembourg-based Sicav fund administration



Total Group's deposits



TREASURY SHARES AND SHARE PERFORMANCE ON THE STOCK EXCHANGE

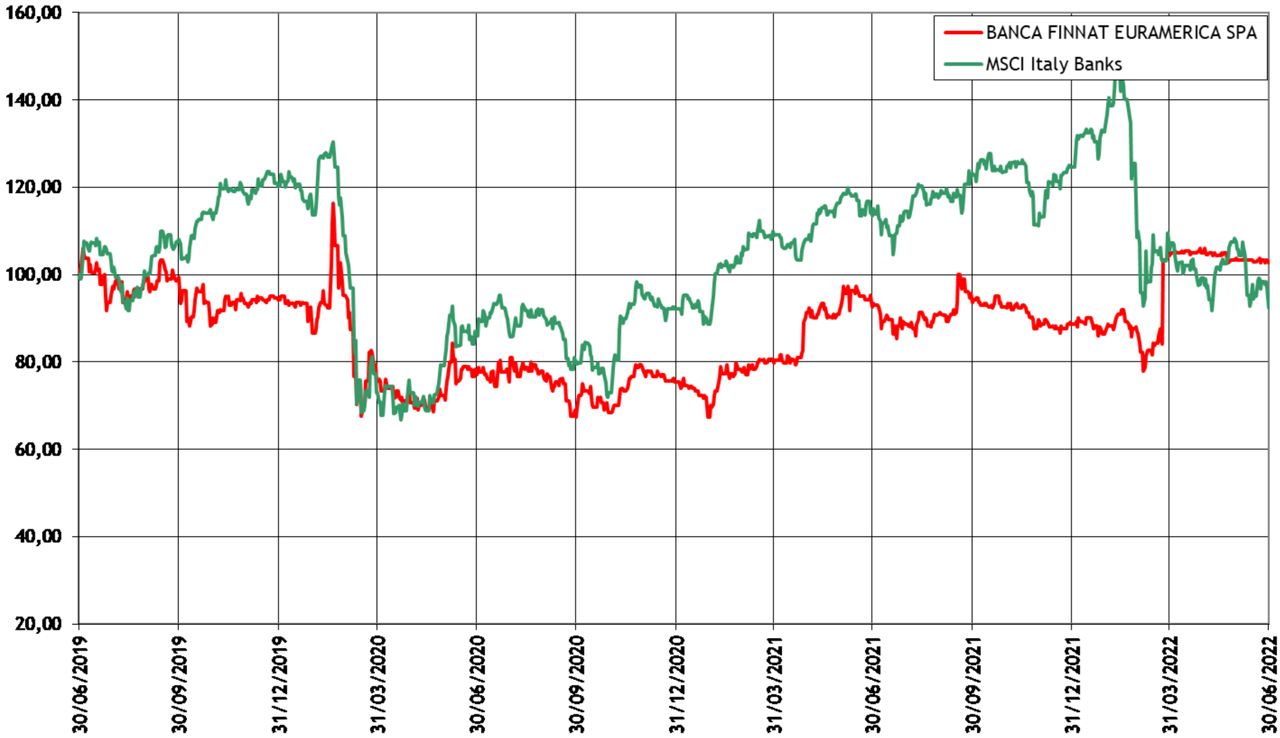
Treasury shares

At 30 June 2022, 28,810,640 treasury shares were held exclusively by the Parent Company and were unchanged from 31 December 2021. 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.

Share performance on the stock exchange

	Market price in euros at:					
Share	29.07.2022	30.06.2022	31.03.2022	31.12.2021	30.09.2021	30.06.2021
BFE	0.3120	0.3080	0.3130	0.2660	0.2810	0.2780

ANDAMENTO QUOTAZIONE TITOLO BANCA FINNAT E RAFFRONTO CON INDICE SETTORE BANCARIO ITALIANO



REFERENCE ECONOMIC SCENARIO

Before presenting the report on operations for the first half of 2022, 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 2022.

Domestic and international macroeconomic scenario and financial markets in the first half of 2022

During the first half of 2022, the world economy was negatively impacted by two major critical issues, both significantly exacerbated by the outbreak of hostilities (at the end of February) between Russia and Ukraine, such as the persistent inflationary tensions (not limited and episodic as the Central Banks had hoped for too long, but proved to be structural and insistent), which had already been widely evident since the second half of 2021, as well as the latent downsizing of expected economic growth, especially with regard to the Eurozone countries, the epicentre of the current geopolitical crisis, not so much in consideration of the war event that emerged as because of the particularly severe economic repercussions that have materialised following the harsh economic sanctions launched against Russia by the USA and replicated by the European Union itself as an economic response to the armed aggression perpetrated by Moscow. At the beginning of the year, the macroeconomic scenario looked already particularly challenging, with global economic growth still expected to be positive, but lower by about two percentage points compared to the growth achieved in 2021, and mainly due to the unanimous tendency of the major Central Banks towards an inevitable, rapid normalisation of monetary policies (through an expected gradual tightening of policy rates) in the face of the considerable inflationary pressures that had already begun to affect many economies in 2021 due to the tensions generated in international supply channels and as a result of the sharp rises in the prices of most industrial and energy raw materials. These inflationary tensions, which were of course further exacerbated by the war event (in the first two weeks after the Russian invasion of Ukraine, the prices of oil, coal and natural gas rose by 40, 130 and 180 per cent, respectively), resulted in inflationary levels in many cases at their highest in 40 years, and inflationary pressures on consumer prices of non-energy industrial goods continued to intensify further at all stages of the price formation chain. In the US economy, although characterised by a large energy sovereignty and subject to the disinflationary effect of a currency appreciating strongly against the main currencies, the annual trend in producer prices reached 11.3% in June 2022 (up from 7.3% in June 2021), with consumer prices growing at an annual rate of 9.1% (up from 5.4% in June 2021); in the Eurozone, the annual trend growth in producer prices stood at 36.3% (up from 10.2% in June 2021), with consumer prices rising at 8.6% (up from 1.9% in June 2021), while in the Italian economy, producer prices grew at an annual trend rate of 42.7% (up from 11% in June 2021), with consumer prices rising at an annual rate of 8% from a growth rate of 1.3% still in June 2021. Much of the upward pressure in core inflation trends is attributable to the indirect effects of the energy and food price hike and the exceptional trends in the balance between supply and demand related to the pandemic and Russia's invasion of Ukraine. Looking ahead, wage developments will be a key factor in the future trend of core inflation. In order to counter these inflationary tensions, generalised for most developed countries, Central Banks adopted (or are in the process of adopting) monetary tightening measures that have diametrically reversed, in a restrictive sense, those expansionary monetary policy approaches that have always prevailed over the past decade. With regard to the Eurozone, the Governing Council of the ECB, while deciding to leave interest rates on main refinancing operations (0%), marginal refinancing operations (0.25%) and deposits with the Central Bank (-0.5%) unchanged in the first half of the year, has, first and foremost, decided to end, as from 1 July 2022, net purchases under the Asset Purchase Program (APP), a programme launched in 2015 to increase the money supply in circulation, while continuing in full to reinvest principal repaid on maturing securities (under the APP) for an extended period of time after the date on which it starts to raise benchmark interest rates and, in any case, for as long as it is deemed necessary to maintain abundant liquidity conditions, even in the presence of M3 growth that has fallen from the rates of annual increase of 12.5% still in January 2021 to the rates of annual increase of 5.6%. With regard to the Pandemic Emergency Purchase Programme (PEPP - already discontinued in March), the Council, again, confirmed its intention to reinvest the principal repaid on maturing securities under the programme at least until the end of 2024. On the other hand, with regard to the monetary decisions taken by the Fed, as part of the US economy trend, policy rates were raised by 25 b.p. in March, 50 b.p. in May and a good 75 b.p. in June (bringing them to 1.75%), while also announcing the start, from 1 June, of the progressive reduction of the amount of securities in its financial statements by partially non-renewing the huge stocks of securities accumulated in past years. The Bank of England adopted five consecutive hikes of its reference interest rates in order to counter consumer inflation, which reached 9% per annum (the highest in 40 years) and is already expected to reach 11% in the autumn, while the Swiss National Bank also raised its policy rates by 50 b.p. for the first time in 15 years (although it still kept them negative by 0.25%). Only the Bank of Japan, faced with an inflationary trend still considered moderate and transitional (at 2.5% with core inflation at 0.8%), decided to maintain an expansive monetary policy approach (with consequent strict control of the rate curve), but this approach caused the national currency to fall by around 20% against the dollar since the end of December 2021. The economic repercussions of the Russian invasion of Ukraine, the sharp reorganisation of the European trade, the new closure measures adopted since the beginning of the year in China due to a pandemic that has not been effectively eradicated and the persistent inflationary tensions that are significantly eroding consumer purchasing power and undermining consumer confidence represent fundamental factors that are adverse to world growth in the short term, and indicators from macroeconomic surveys indeed confirm that world economic activity appears to be unequivocally moderate (with global growth now expected to be 2.9% by the end of the year compared to the 4.2% initially estimated at the beginning of the year). As a result, the US economy already recorded a reduction in business of 1.6% at the end of the first quarter of 2022, compared to a 6.9% growth in the fourth quarter of 2021, and year-end growth could be 1.7% from the 4% initially estimated by the IMF at the beginning of the year; in the Eurozone, the Russian invasion of Ukraine led to a significant increase in uncertainty and uncertainty shocks negatively affect GDP and domestic demand, with a greater impact on business investment than on consumption. At the sector level, uncertainty shocks are expected to affect manufacturing more than services and have a greater impact on industries producing goods with longer life cycles. Regarding the composition of consumption, durable goods are more affected by uncertainty shocks than non-durable goods, in line with the fact that spending on the former can be postponed in response to adverse shocks in that existing stocks of durable goods continue to provide benefits by virtue of their longer life cycle. In fact, the effect on durable goods is three times the size of the impact on non-durable goods. Overall, the war and rising energy costs have made the economic outlook more uncertain, especially in energy-dependent sectors and those producing goods with a longer life cycle. At the end of the first quarter of 2022, the Eurozone economy still grew at an annual trend rate of 5.4% compared to the 4.7% growth recorded in the fourth quarter of 2021 and 14.2% in the second quarter of 2021, but the outlook for the whole of 2022 paints an expected growth of only 2.6% compared to the 3.9% growth estimated at the beginning of the year by the International Monetary Fund; in the Italian economy, annual economic growth decreased to 6.2% (at the end of the first quarter) from the annual trend growth of 17% recorded at the end of the second quarter of 2021, and by the end of the year, the expected growth could also be 2.6% compared to the 3.8% initially estimated by the IMF.

Inflationary pressures beyond all expectations and great uncertainty about the development of economic trends led to the greatest destruction of wealth suffered by financial markets in the last fifty years in the first half of 2022 (35 trillion dollars/25 trillion dollars less capitalisation for global equity markets and 10 trillion dollars in losses on bond markets). Global equities fell by an average of 20%, marking the worst half-year performance since the start of the year in the last 100 years. Among the most affected stock markets, the new restrictive monetary policy approach adopted by the US Fed damaged the Nasdaq technology index in particular, which suffered a drop of close to 30% in the first half of 2022, with 220 stocks (out of 3,500) down more than 90% and 1,800 losing more than 50%; the S&P 500 index recorded its worst half-year performance since the start of the year in fifty years, with a drop of just over 20%; the index representing the Eurozone stock market (Eurostoxx 50) also recorded a negative performance of close to 20%, while the index representing the domestic stock market (Ftse Mib) left 22.1% of its capitalisation on the ground. Significantly better, though still negative, were the performances offered by the major Asian stock markets with the Japanese Nikkei 225 index down 8.3%, the Hang Seng index of the Hong Kong stock exchange down 6.6% and the CSI 300 index of the Shanghai/Shenzhen stock exchange down 9.2%. In the emerging markets, stock markets suffered declines in the region of 18% on average.

In the fixed income market, the return of inflation affected considerably the global bond markets (which suffered capital losses of 10.3% on average), whose long-term yields rose in the wake of inflationary pressures that fuelled expectations of a faster normalisation of monetary policies despite increasing downside risks to the economic outlook. The GDP-weighted average yields of ten-year government bonds of the Eurozone rose to 2.05%, a level not seen since mid-2015; ten-year US government bonds reached a yield of 3.45% (at the highest levels of the last 11 years, from 1.52% at the end of 2021) while, on average, US Treasuries lost 12% in total return since the beginning of the year (worst performance ever). In the first half of the year, ten-year German bonds lost 11.3%, government bonds of the Eurozone 12.2%, European high yields 15.1%, while in the US markets, corporate investment grade US bonds fell 13.9%, corporate high yields 14%, and fixed income issued by emerging markets also recorded average losses in the region of 10%. On the Italian market, the yield of the ten-year BTP reached 4.16% (from 0.45% in February 2021 and compared to 1.2% in January 2022) while the average cost of our debt on issue stood (in the first half of 2022) at 0.91% from 0.1% at the end of 2021. Restricting the field to medium- to long-term bonds only, the average rate recorded at auctions for Italian paper in the first half of 2022 more than tripled (to 1.5%) compared to 0.44% in 2021. The gross yield offered during the auction on three-year BTPs (from end of 2021 to June 2022) went from a negative rate of 0.1% to a positive yield of 3.04%; the yield on the five-year BTP rose from 0.19% to 2.74%, while the gross yield on the ten-year bond rose to 3.47% from 1.02% during the auction. The effect is almost exclusively related to market trends during which the general level of bond rates rose sharply to reflect the new inflation scenario and Central Banks making a retreat from the ultra-expansive approach of the previous decade.
On foreign exchange markets, the Euro continued to depreciate (-7.8% in the half year) against the US Dollar (against expectations of a faster monetary tightening by the Fed compared to the expected anti-inflationary operations by the ECB) in a context characterised by heterogeneous trends in bilateral exchange rates. The euro also weakened against the currencies of several emerging economies but, at the same time, managed to appreciate against the Japanese yen (+8.7%) and, to a lesser extent, against the British pound (+1.2%).

The real estate market in the first half of 2022

The growth in volumes in 2021 (10.4 billion euros, +14% over 2020) is a positive trend that suggests an acceleration of the recovery during 2022: expectations about the surrounding economic conditions, despite the continuing climate of uncertainty due to both the fear of new waves of contagion and the international geopolitical situation, remain optimistic. The investors expect to intensify acquisition with increased risk appetite and growing interest in secondary locations.
Logistics continues to be one of the most interesting sectors, especially in its last mile component, which will continue to benefit from the spread of e-commerce, which requires increasing capillarity throughout the territory. The search focuses on medium-sized spaces ranging from 10,000 and 20,000 square meters, and while the Milan logistics area remains the most popular with tenants, the need for greater proximity to the end consumer has also led to a strong growth in demand in secondary locations in this sector.
In the Office segment, the 2021 results suggest further growth in demand for 2022, supported by expectations on the recovery of economic activity and the impacts of the RRP, which should support the creation of new jobs. The pandemic emphasised certain trends in the demand for office space, with a special focus on environmental and social sustainability aspects in terms of employee welfare, flexibility of the use of space and energy efficiency, leading to greater selectivity in the real estate market. The investments planned for 2022 suggest a growth in the volume of core operations in the capital, while Milan will benefit from new value-add initiatives.
In the Hotel segment, tourist flows grew in 2021 due to the vaccination campaign and the easing of travel restrictions, which also led to an increase in the number of foreign tourists: 2022 will continue this recovery path with a forecast of consolidation in 2023 and a subsequent return to 2019 levels if not higher. The request for higher quality represents an opportunity to restructure the national hotel assets to make it more environmentally sustainable, also with the support of aid to the sector from the RRP. The resort sector proved most resilient during the pandemic period, attracting the interest of investors, along with the luxury segment.

The Retail market is still suffering from the decline in investments due to both the restrictions caused by the pandemic and the consequent development of e-commerce. In this sector, the segments on which interest is focused are the Retail Parks - on which development and redevelopment activities with a focus on environmental issues will be concentrated - and the High Street in the main cities.

The Alternatives sector continues to strengthen thanks to the Healthcare and data-centre segments, which remain anti-cyclical due to their ability to provide essential services regardless of real estate market fluctuations.

In the Residential sector, volumes reached a total of 720 million euros in 2021 (+24% over 2020). Investments in 2022, thanks also to the entry of new foreign institutional capital, will focus on development activities mainly in Milan, but not only there, in larger urban regeneration projects with a focus on the multifamily segment characterised by lower risk. Finally, the Student Housing segment will have more and more space in the total investment in residential housing, also thanks to the allocations envisaged by the RRP to increase the number of beds (around 1 billion euros) with the involvement of private capital, bringing the supply of student housing to European levels (more than 100,000 beds to be built).

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 2021, 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 2022 show a consolidated profit of 2,278 thousand euros, lower by 484 thousand euros compared to the first half of 2021, which amounted to 2,762 thousand euros.
An analysis of the result for the half-year under review, compared to the same period in 2021, shows a significant increase in net fee and commission income, a decrease in net interest income (mainly attributable to the lower contribution of repurchase agreements of the Bank on the proprietary portfolio) and an increase in the analytical adjustments made by the Bank due to the adjustment of the write-down of a bad loan.
The first half of 2022 was deeply influenced by the ongoing geopolitical crisis caused by the conflict between Russia and Ukraine. The economic repercussions for the Group, based on the current situation, can be considered insignificant in consideration of the Bank's limited exposure to the countries involved in the conflict.
The effects of the Russian invasion and the consistent resumption of the spread of the Covid-19 virus are explained in the paragraph on "Most significant transactions and events of the half-year".

The main items that contributed to forming the results of the first six months of 2022 are shown below and compared with the figures of the corresponding period of 2021:

Total income at 30 June 2022 came to 32,947 thousand euros compared to 33,231 thousand euros in the same period of the previous year. The overall decrease of 284 thousand euros consists of the following:
increases

- 2,502 thousand euros in Net fee and commission income (28,326 thousand euros in the first six months of 2022 compared to 25,824 thousand euros in the same period of 2021);
- 782 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 826 thousand euros at 30 June 2022 compared to similar gains of 44 thousand euros in the same period of 2021);

decreases

- 1,830 thousand euros in Net interest income (3,959 thousand euros at 30 June 2022 compared to 5,789 thousand euros in the same period of 2021);
- 168 thousand euros in Dividends and similar income (554 thousand euros at 30 June 2022 compared to 722 thousand euros in the first six months of 2021);
- 1,459 thousand euros in Net trading expense. At 30 June 2022, the item had a negative balance of 278 thousand euros compared to a positive balance of 1,181 thousand euros in the first six months of 2021;
- 111 thousand euros in Income on other financial assets mandatorily measured at fair value (loss of 440 thousand euros at 30 June 2022 compared to a similar loss of 329 thousand euros in the same period of 2021).

Net impairment losses for credit risk: the item at 30 June 2022 shows net impairment losses for a total of 2,963 thousand euros compared to 95 thousand euros in the same period of the previous year. The adjustments for the period under review concern Financial assets at amortised cost of 2,656 thousand euros (of which 2,162 thousand euros as an adjustment made by the Bank for its exposure the to the company Bio-On) and Financial assets at fair value through other comprehensive income of 307 thousand euros. At 30 June 2021, instead, impairment losses were recorded on Financial assets at amortised cost of 101 thousand euros and value recoveries on Financial assets at fair value through other comprehensive income for 6 thousand euros.

Administrative expenses amounted to 28,771 thousand euros in the first six months of 2022, compared to 28,364 thousand euros in the same period of 2021, and break down as follows:

- personnel expenses, equal to 18,984 thousand euros, are 26 thousand euros lower than the same period of the previous year (19,010 thousand euros).
- other administrative expenses of 9,787 thousand euros increased by 433 thousand euros compared to the same period of the previous year (9,354 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 7,071 thousand euros and increased by 296 thousand euros compared to the same period of the previous year (6,775 thousand euros).

Depreciation and net impairment losses on property, equipment and investment property: the item includes impairment losses of 1,708 thousand euros (1,699 thousand euros at 30 June 2021) and comprises the depreciation charges of the right-of-use assets acquired under leases, amounting to 1,538 thousand euros (1,517 thousand euros at 30 June 2021) of which 1,398 thousand euros referring to other administrative expenses and 140 thousand euros referring to personnel expenses.

Other operating income, net at 30 June 2022 showed a positive balance of 4,647 thousand euros compared to 2,528 thousand euros in the same period of 2021. Income comprises recoveries of costs from customers, amounting to 2,855 thousand euros, of which 2,716 thousand euros referring to other administrative expenses (2,688 thousand euros in the first six months of 2021, of which 2,579 thousand euros referring to other administrative expenses).

Income taxes at 30 June 2022 amounted to 248 thousand euros compared to 1,780 thousand euros at 30 June 2021.

* *

The results for the first half of 2022, 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 2022:

Commercial Division

The first half of 2022 was one of the most difficult in recent decades. Bottlenecks in the supply chain, managing Covid in China and the Russian-Ukrainian conflict generated factors that pushed inflation to much higher levels than in recent years and led to widespread economic slowdowns. All this caused interest rates to rise at the same time (with the concomitant collapse of bond prices) and all stock markets worldwide to fall dramatically. As a result, the performance of financial products was generally significantly negative.

In this very difficult environment, the approach given to our wealth management product and service platform paid off. Net inflows grew by more than 200 million euros, more than half of which was in asset management products. In particular, our new multi-line management lines recorded the appreciation we expected by allowing the modularity that is indispensable in extremely volatile market phases. The offer of guaranteed capital insurance products, which has been extended over the past five years of low or negative rates, allowed us to take advantage of the rate hike of the fixed-income component with positive performance for customers and now by directing these savings towards bond asset management with extremely attractive returns. Investments in real assets were also a factor in balancing and diversifying assets, and the policy in this regard continued with the placement of a real estate fund also open to retail investors, provided it had a minimum denomination of 100 thousand euros, taking first advantage of the new regulatory possibility.

The trading activity, which in this turbulent half-year saw us as the point of reference for private UHNWI customers, and which brought trading commissions to very high levels is also worth mentioning. In particular, the derivatives business was characterised by BFE at the top of the list of intermediaries in the domestic market.

To protect our customers in a very volatile market, we opened the placement of capital-protected 'certificates' in cooperation with an issuer of primary standing. In previous years, characterised by low interest rates and strong equity trends, we considered this type of business unattractive to customers. Increased volatility and higher interest rates allowed us to offer protected products to customers at favourable conditions, efficiently absorbing the hedging costs.

Finally, still as part of investments aimed at HNWIs, our Finnat Fiduciaria set up a service for the management of customised alternative PIRs. In this way, we were able to offer the construction of tax-efficient dedicated PIRs to customers wishing to build portfolios of Italian small caps and start-ups, contributing to the growth of SMEs that are the ideal target of BFE's services.

The collaboration with corporate finance continued both with regard to SME placements on the EuroNext Growth Milan market and in the collaboration on business customers for M&A or structured financing requirements.

As part of the lending activities, the careful monitoring of collateral positions ensured that there was no strain on margins and spread, assisting customers in line with their individual requirements and structuring customised approaches. The typical skills of a private banking bank allowed us to consider a wide range of financial instruments as collateral, meeting even very complex requirements by building monitoring systems that are suitable from a prudential perspective for the customer and for the bank.

Recruiting continued with the identification of candidates consistent with our service model dedicated to HNWI and UHNWI customers, whose skills are able to embrace our very broad platform that goes beyond simple asset allocation.

Finally, with regard to communication, in-person events were resumed with a series of cycles dedicated to modern art, with the economic scenario presented at the premises of the headquarters and other cultural initiatives. On the other hand, the webinars characterised the communication activities until the end of spring with great customer satisfaction and participation. In addition to strictly economic topics, those covered included business management within family businesses and the method of business transfer within family and generational complexities.

Investment Banking

The entire investment banking industry was strongly affected in the first half of the year by a major market correction, which obviously also affected our Bank's activities in this sector.

The securities brokerage sector recorded the most significant increase in activity. In part, this is what always happens when, after a long bullish trend, violent downturns occur: volumes increase (unfortunately not structurally; moreover, in the medium term, if the downturn persists, volumes tend to contract) and consequently there is much more order execution activity. However, in the specific case of Banca Finnat, the very strong growth in volumes traded is related not only to this general phenomenon but also to extraordinary transactions of a certain complexity for which qualified customers have come to rely on our bank whose professionalism they appreciate.
The growth in volumes (and commissions) recorded on the Italian equity segment and related derivatives was particularly significant. The other operational areas (foreign equities, domestic and non-domestic fixed income) also recorded figures that, if projected to the end of the year, would be even better than last year's already excellent ones.
After a few years of more linear trends, the figure for commissions generated by the CO2 desk improved strongly.
In the Corporate Broking sector, the bank is managing to obtain new mandates (Specialist, Buy Back Plans, Coverage), which tend to offset the outgoing mandates related to the entry of new competitors performing these activities, which until a few years ago were only pursued by a few brokers.
In the first half of the year, the bank finalised an IPO on the EGM market and is working on further transactions that, in the right market environment, could materialise in the second half of the year.
Revenues from services offered to other intermediaries (Asset Managers, Distributors, Order Collectors) who use Banca Finnat for investment services and whose customers, in terms of partnership, are referred to our bank for services they are unable to provide (custody and administration, banking services, etc.) continue to grow.

With regard to Asset management, the aforementioned market turnaround, which was as abrupt as it was unexpected and, above all, pervasive across all asset classes, evidently led to a contraction in portfolio amounts. On the various Asset Management lines, but also on the SICAVs entrusted to us for management, the returns are consequently negative. AUM are decreasing, but this, especially for Asset Management, is mainly due to the market effect: net inflows are in fact positive by about 32 million euros (although 25 million euros on institutional customers, which have lower profitability). The AUM on the SICAV New Millennium and the Funds subscribed by customers declined more sharply in percentage terms.

The proprietary portfolio also clearly suffered from the sharp market downturn, and in particular from the downturn in Italian government bonds, which have always been Banca Finnat's main allocation. The traditional cautious approach that has always favoured shorter maturities - a choice that is not too rewarding in times of falling rates but proves to be a happy one when they start to rise - helped to limit the damage.
Moreover, the possible rise in interest rates could lead in the medium term to an increase in income from the Treasury business, which was characterised by significantly shrinking margins and negative rates. Moreover - also due to

geopolitical tensions - the spread widening in various market phases was promptly taken advantage of by our Treasury, which was able to close some carry trade transactions with better margins than those closed last year.

Advisory & Corporate Finance

During the first half of 2022, the team dedicated to these activities continued developing its operating capacity, capturing the opportunities that arose as part of the scenario characterised by problems related to the Russia-Ukraine war.
In particular, in addition to continuing operations of current assignments, the team has acquired new ones, confirming its proximity to companies for financial consulting activities (with particular regard to capital markets, structured finance and M&A).
The assignments overseen included: i) financial assistance as a part of an M&A transaction in the packaging sector; ii) financial assistance to a company active in the professional electronics sector for the identification of a partner interested in taking an interest in the share capital to support its development; iii) financial assistance in the sale process of a company active at international level in the dropshipping/e-commerce sector; iv) financial assistance to a company active in the construction of energy assets (photovoltaic parks) aimed at structuring a financial transaction to raise financial resources to support operational/implementation activities; v) assistance to a company active worldwide in the production of sawing machines for stone extraction, aimed at identifying a partner interested in entering the capital to help strengthen the company's competitive position in the market; vi) assistance to a primary private equity operator in raising financial resources in the form of debt capital as part of an acquisition of an Italian industrial company active in the moulded rubber market; vii) the feasibility study of a development project in the service sector for the installation of electricity pillars; viii) arranger assignments from several selected issuers to structure a basket bond dedicated to companies listed on Euronext Growth Milan; ix) the listing of High Quality Food - HQF on the Euronext Growth Milan market in the role of Euronext Growth Advisor and Global Coordinator.

Lastly, during 2022, the ongoing Euronext Growth Advisor activities continued for some companies listed on the Euronext Growth Milan market. At 30 June 2022, 17 companies were assisted on the Euronext Growth Milan Market. The activity relating to the listing of SMEs also continued with the continuation of two mandates for the listing on the Euronext Growth Milan market of two companies active in the aluminium processing and compound production sectors.

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 2022, InvestiRE managed around 7.1 billion euros of assets through 57 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 2022, managed assets underwent a net increase of approximately 2% compared to 31 December 2021.
The main investment and development activities for new projects that took place in the first half of 2022 concerned:

- The establishment of three new real estate funds with a primary international investor that finalised the acquisition of properties mainly for residential and office use, located in Rome and Milan, for a value of approximately 313 million euros.
- The establishment of a new real estate fund to pursue investments in the value-add and opportunistic segment with a medium-term strategy. The fund made its first investment in the first half of 2022 with the signing of a preliminary purchase agreement for a real estate complex worth approximately 17.8 million euros, currently used as an office building, located in Milan, Viale Umbria, in order to pursue a strategy of enhancing the value of the asset through the complete demolition and the subsequent development of a project for residential use.

- The establishment of a new real estate fund aimed at expanding the offer relating to investments in individual real estate assets with an investment strategy targeting the Core Yielding sector, which aims to invest in properties/portions of properties with a core profile located in the central areas of the main Italian cities (Milan and Rome) mainly leased to tenants of high standing. The Fund started operations in July, finalising its first investment with the purchase of a property located in Piazza Missori in Milan.
- The establishment of a second Sub-Fund of the LCN Fund (LCN II), which acquired two commercial properties leased to a primary tenant, for a total value of 14.4 million euros.
- The purchase by the HITA 1 Fund of an office building located in Milan, for a value of approximately 24.4 million euros in relation to which a demolition and reconstruction project is envisaged with a change of intended use to residential and the subsequent transfer through fractional sale.

Overall, during the first half of 2022, Investire SGR finalised acquisitions for a value of more than 380 million euros.
Development activities (enhancement and redevelopment of the existing portfolio and new construction work) were carried out on 26 real estate funds for approximately 49.4 million euros, of which about 34% related to development projects in the social housing sector. Other development activities concerned projects for tertiary use and for residential use. There are currently about 50 active construction and design job orders.

Social Housing interventions include: (i) the redevelopment works of the former Moi buildings in Turin, from the FASP fund, (ii) the assignment of the partial demolition, strip out and reclamation works, the drafting of the executive project and the opening of the tender for the redevelopment works of the former Caserma Sant'Eufemia in Modena of the FERSH fund, (iii) the progress of the FHT fund construction sites of approximately 4.1 million euros, (iv) the redevelopment works of the building in Via San Martino in Milan continue on the Cà Granda Fund and there are a dozen job orders in the planning stage. Enhancement projects in the tertiary sector include the continuation of the redevelopment works of the property in Via Mazzola in Rome for the Rocket Fund and the completion of works on the property in Via Porlezza 8 in Milan for the Monterosa Fund.

As part of residential projects, the redevelopment works of the PRS Italy rental portfolio in Milan, Turin and Rome continued (approximately 6.1 million euros in the first half of the year), including the complete renovation and subsequent fractional sale of the property in Milan, Corso Magenta, 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, from offices to luxury residential; the continuation of the last lot of the redevelopment of a residential property located near the centre of Milan, intended for fractional sale, for the FPEP Fund.

In relation to the process of divestment of the assets, the main activities concerned mainly funds for residential use with fractional sale, and the social housing funds which continued the marketing of the apartments. The sale of the residual assets of the Funds in liquidation also continued. In particular, the Immobilium Fund, whose extraordinary extension period is scheduled to expire in 2022, completed the disposal of an office building in Milan, which was previously redeveloped and leased to a leading international company in the automotive sector.
During the first half of 2022, Investire SGR finalised sales for a value of 311 million euros, spread across 29 funds under management, in addition to the conclusion of significant sale agreements for the disposal of properties, completed following redevelopment works, owned by the Monterosa Fund, the sale of which will be finalised in the third quarter of 2022.

<u>Trusteeship</u>

The first half of 2022 was characterised by the negative impact suffered by the global economy as a result of the critical issues exacerbated by the outbreak of the war conflict between Russia and Ukraine.
Despite this unusual scenario, Finnat Fiduciaria continued developing its business to the satisfaction of its customers and that of the banking group to which it belongs (56 new contracts were opened).

The company continues to provide services mainly related to the protection and generational transition of its customers' business, financial and real estate assets, with a focus on their planning.

The decrease in the enhancement of "Fiduciary accounts" and mandates received, which was mainly due to the financial effect of the crisis that occurred with the outbreak of the aforementioned war hostilities, recorded a decrease of approximately 52 million euros, from 1,762 million euros at 31 December 2021 to 1,710 million euros at 30 June 2022. In spite of this, revenues increased by 11,231 euros.

The initiatives undertaken by the Company with regard to debt collection enabled it to achieve one of the best results in recent years, having collected about 83% of the 2022 turnover to date.

Research & Development, Organisation

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

Organisation Area:

- The reorganisation of the Bank's commercial management structure was completed, increasing the effectiveness of services rendered to customers.
- New functions integrated into the CRM system and related to the management of money laundering risk transactions were developed and released.

IT and Technologies Area:

- Logical security levels were enhanced with targeted interventions on various ICT areas (perimeter, PDL, server, VPN).
- The anti-spam infrastructure was updated and upgraded.
- The physical network between the main office and peripheral offices was strengthened.

Corporate Governance

The Bank has adopted a traditional administration and control model, comprising two bodies appointed by the Shareholders' Meeting: the Board of Directors, 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 current Board of Directors was appointed by the shareholders' meeting on 30 April 2021 and will remain in office until the shareholders' meeting to approve the financial statements for the financial year 2023; it consists of 10 directors, three of whom are non-executive and independent.
On 14 June 2021, a Director was appointed by co-optation with a term expiring upon approval of the financial statements at 31 December 2021.

The Bank's Shareholders' Meeting of 28 April 2022 appointed Giampietro Nattino as a member of the Board of Directors, whose term of office will end upon the expiry of the term of the current Board of Directors, with the approval of the financial statements for the financial year 2023.

Pursuant to the Bank of Italy Circular no. 285 of 17 December 2013, as subsequently updated, the Shareholders' Meeting of the Bank of 28 April 2022 approved the remuneration and incentive policies.

At the meeting of the Board of Directors on 12 May 2022, the Board, with the support of the Appointment Committee, monitored the continued fulfilment of the requirements and fulfilment of the criteria set forth by the regulations in force for company representatives.

As disclosed to the market, on 24 March 2022, and as better described in this Report under "Significant transactions and events in the half-year", the members of the Nattino Family branch headed by Cavaliere del Lavoro Giampietro Nattino - namely Giampietro Nattino himself, Arturo Nattino, Andrea Nattino, Giulia Nattino, Paola Nattino, Celeste Buitoni, Giampietro Nattino jr and Paolo Nattino (the "GN Branch") - expressed their intention, subject to the issue of the authorisations required by law, to concentrate in a specifically set-up company called Nattino Holding S. r.l. the shares totalling approximately 68.72% of the capital of Banca Finnat Euramerica S.p.A, held by the various members of the GN Branch.
This transfer will result in the acquisition of control by right of Banca Finnat by Nattino Holding S.r.l. and, as a result of the Transfer itself, Nattino Holding S.r.l. will promote, through a special purpose vehicle, wholly owned by the Holding itself, called PN 1898 S.r.l., a mandatory full takeover bid on the Bank's shares for a price not less than the transfer value and equal to 0.31 euros, with the aim of delisting the Bank.
On the same date, Maria Sole Nattino, Ilaria Nattino, Daniela Salivetto (the "AN Branch"), GL Investimenti S.r.l. and H.P.A. S.r.l. entered into significant commitments towards the Holding Company and the vehicle company pursuant to Article 122, paragraphs 1 and 5, of the Consolidated Financial Law (the "Shareholders' Agreement").

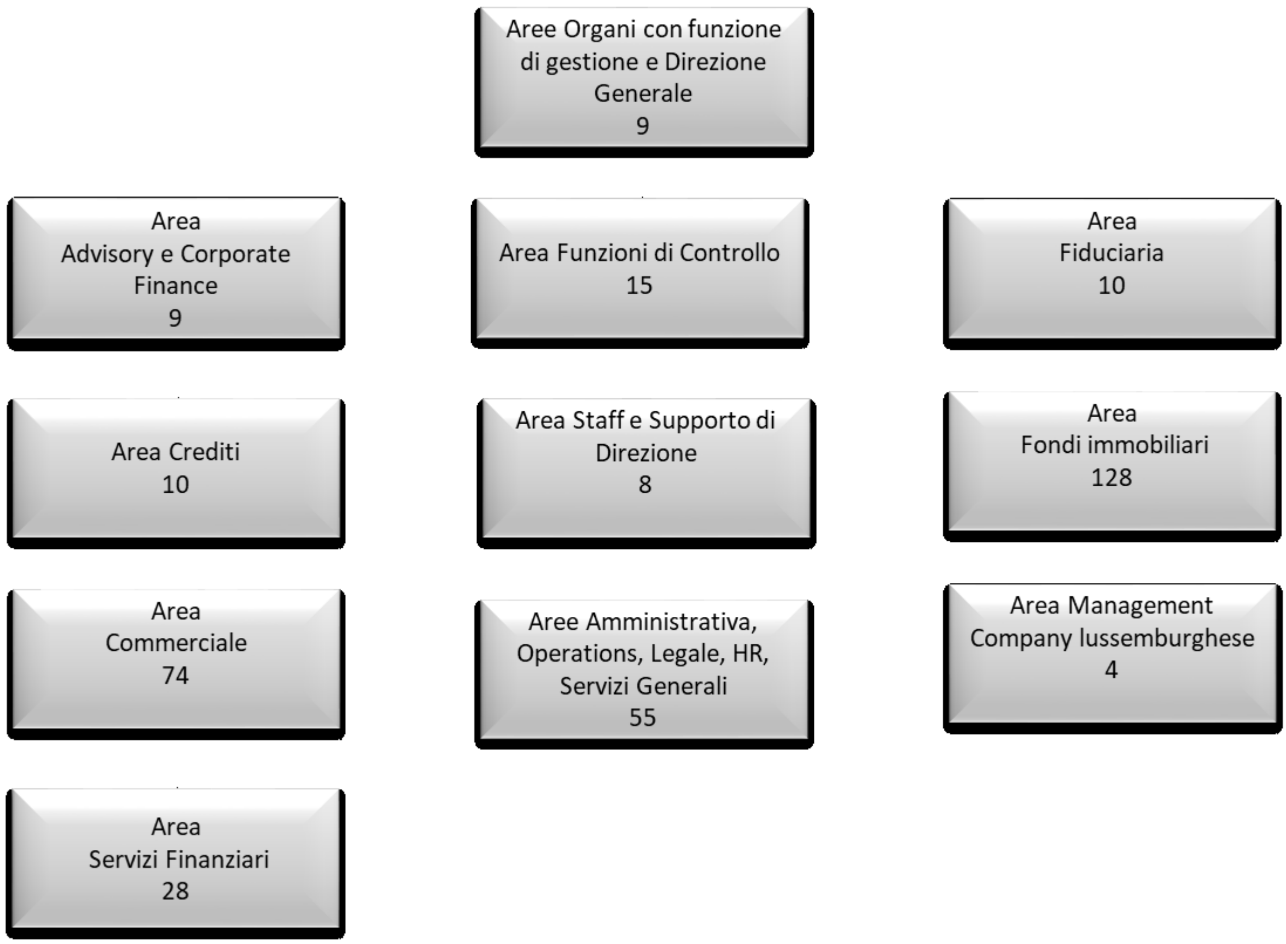
Note the following acquisitions of equity interests by the Bank, namely:

- on 27 April, the acquisition - through a share capital increase with a share premium of 30,000 euros, of which 2,195 euros allocated to a share capital increase and 27,805 euros to the share premium reserve - of an 18% stake in Resilience S.r.l.
- on 1 August 2022, the acquisition of a 9.9% stake in the company Hedge Invest SGR S.p.A., an independent asset management company specialised in alternative investments, traceable to the Manuli family, operating in the sector of alternative UCITS fund products and closed-end funds.

In relation to the latter acquisition, a call option is envisaged for the purchase of a further 15.1% of the share capital.

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 347 at 31 December 2021 to 350 at 30 June 2022, as shown in detail below:

	30.06.2022	31.12.2021
Employees	337	334
- executives	59	58
- middle managers	155	150
- office workers	123	126
Contractors	9	9
Financial advisor agents	4	4
Total	350	347

RELATED PARTY TRANSACTIONS

The Board of Directors of Banca Finnat S.p.A. adopted, in compliance with the procedures set forth in the regulations, the Regulation for transactions with related parties and for the assumption of risk activities with Related parties.
This Regulation, most recently updated in December 2021, takes into account: both Resolution no. 17221 issued by CONSOB, pursuant to Article 2391-bis of the Italian Civil Code as well as Articles 113-ter, 114, 115 and 154-ter of Italian Legislative Decree no. 58 of 24 February 1998; and the supervisory provisions introduced by the Bank of Italy on 12 December 2011 on risk activities and conflicts of interest of banks and banking groups with respect to "Related Parties", issued in implementation of Article 53, paragraph 4 et seq. of the Consolidated Banking Act, in accordance with resolution no. 277 of the CICR of 29 July 2008 and the rules established by Article 136 of the Consolidated Banking Act.

The Bank has carried out transactions both with subsidiaries and with related parties, ordinary and non-ordinary transactions as well as 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.

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 2022, 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 2021 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 March 2022 for the 2022-2024 three-year 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

For supervisory purposes, the capital aggregate relevant for this purpose is determined on the basis of the provisions in force laid down by the Bank of Italy and constitutes the reference system for prudential supervisory provisions.

Own funds at 30 June 2022 amounted to 180,560 thousand euros (189,397 thousand euros at 31 December 2021), whereas the Total capital ratio, the CET1 capital ratio and the Tier1 ratio stood at 33.7% (31.1% at 31 December 2021). 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 of the Report on Operations “Market disclosure information”. Without this application, Own funds would have been equal to 179,956 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would be equal to 33.6%.

These ratios 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 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 euro)	30.06.2022
EU Countries	
- Italy	1,325,251

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

	maturity in 2022	maturity in 2023	maturity in 2024	maturity in 2025	maturity in 2026	maturity in 2027	maturity beyond 2027	Total	Level 1
Financial assets at fair value through profit or loss: a) Financial assets held for trading									
- Italy	-	1	-	-	1	-	-	2	2
Financial assets at fair value through other comprehensive income									
- Italy	-	81,460	73,809	3,047	127,030	-	39,183	324,529	324,529
Financial assets at amortised cost (*)									
- Italy	440,288	200,331	357,472	-	-	-	2,629	1,000,720	1,000,720
Total	440,288	281,792	431,281	3,047	127,031	-	41,812	1,325,251	1,325,251

(*) the amounts are gross of portfolio impairment losses for credit risk totalling 187 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 S.p.A. 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 S.p.A. from 50.16% to 59.15%.

At 30 June 2022, 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 SGR S.p.A. and 10% Intesa San Paolo S.p.A.

At 30 June 2022, the company managed 57 real estate funds, and the GAV of the managed assets came to 7,139 million euros compared to 6,977 million euros at 31 December 2021.

The half year report at 30 June 2022 shows profit of 3,444 thousand euros compared to 2,742 thousand euros at 30 June 2021 and book value of equity of 78,105 thousand euros compared to 80,887 thousand euros at 31 December 2021. During the first half of 2022 the company recognised fee and commission income of 13,976 thousand euros compared to 12,895 thousand euros in the same period of 2021.

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 2022, assets under management totalled 1,710 million euros compared to 1,762 million euros at 31 December 2021.

The half year report at 30 June 2022 recognised profit of 38 thousand euros compared to 58 thousand euros at 30 June 2021. During the first half of 2022 the company recognised fee and commission income of 754 thousand euros compared to 743 thousand euros in the same period of 2021. At 30 June 2022, the company had equity of 1,953 thousand euros compared to 2,053 thousand euros at 31 December 2021.

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 2022 came to CHF 105 million, compared to CHF 119.5 million at 31 December 2021.

The book value of equity at 30 June 2022 came to CHF 2,182 thousand compared to CHF 2,487 thousand at 31 December 2021.
The half year report at 30 June 2022 recognised profit of CHF 215 thousand compared to CHF 273 thousand at 30 June 2021.
During the first half of 2022 the company recognised fee and commission income of CHF 392 thousand compared to CHF 450 thousand in the same period of 2021.

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 2022 recognised profit of 34 thousand euros compared to 77 thousand euros at 30 June 2021.
The book value of equity at 30 June 2022 came to 879 thousand euros compared to 952 thousand euros at 31 December 2021.
During the first half of 2022 the company recognised fee and commission income of 851 thousand euros compared to 882 thousand euros in the same period of 2021.

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 2022 compared with those at 31 December 2021 for the Statement of Financial Position and with those at 30 June 2021 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 7).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(thousands of euro)

	30.06.2022	**31.12.2021**	**Absolute change**
ASSETS			
Cash and cash equivalents	136,075	115,367	20,708
Financial assets at fair value through profit or loss:	32,879	35,459	(2,580)
a) financial assets held for trading	7,914	9,327	(1,413)
c) other financial assets mandatorily measured at fair value	24,965	26,132	(1,167)
Financial assets at fair value through other comprehensive income	357,367	345,869	11,498
Financial assets at amortised cost	1,665,632	1,339,422	326,210
a) loans and receivables with banks	52,923	54,372	(1,449)
b) loans and receivables with customers	1,612,709	1,285,050	327,659
Equity investments	10,174	10,385	(211)
Property, equipment and investment property	18,683	19,896	(1,213)
Intangible assets	31,102	31,089	13
Tax assets	12,453	9,993	2,460
Other assets	45,074	38,408	6,666
TOTAL ASSETS	2,309,439	1,945,888	363,551
LIABILITIES AND EQUITY			
Financial liabilities at amortised cost	2,021,775	1,651,310	370,465
a) due to banks	712	394	318
b) due to customers	2,021,063	1,650,916	370,147
Financial liabilities held for trading	1,260	2,065	(805)
Tax liabilities	1,192	2,490	(1,298)
Other liabilities	30,131	23,375	6,756
Post-employment benefits	6,314	5,752	562
Provisions for risks and charges	56	124	(68)
a) commitments and guarantees given	54	55	(1)
c) other provisions for risks and charges	2	69	(67)
Non-controlling interests	32,323	33,572	(1,249)
Equity attributable to the owners of the parent	216,388	227,200	(10,812)
TOTAL LIABILITIES AND EQUITY	2,309,439	1,945,888	363,551

INCOME STATEMENT
(in thousands of euro)

	1st half 2022	1st half 2021	Change	
			Absolute	Percentage
Net interest income	3,959	5,789	(1,830)	-32%
Net fee and commission income	28,326	25,824	2,502	10%
Dividends and similar income	554	722	(168)	
Net trading expense	(278)	1,181	(1,459)	
Net gain from disposal or repurchase of:	826	44	782	
a) financial assets at amortised cost	5	61	(56)	
b) financial assets at fair value through other comprehensive income	821	(17)	838	
Net losses on other financial assets and liabilities at fair value through profit or loss:	(440)	(329)	(111)	
b) other financial assets mandatorily measured at fair value	(440)	(329)	(111)	
Total income	32,947	33,231	(284)	-1%
Net impairment losses for credit risk associated with:	(2,963)	(95)	(2,868)	
a) financial assets at amortised cost	(2,656)	(101)	(2,555)	
b) financial assets at fair value through other comprehensive income	(307)	6	(313)	
Net modification gains (losses)	-	(160)	160	
Net financial income	29,984	32,976	(2,992)	-9%
Personnel expenses	(18,984)	(19,010)	26	
Other administrative expenses	(9,787)	(9,354)	(433)	
Net reversals of (accruals to) provisions for risks and charges	68	130	(62)	
Depreciation and net impairment losses on property, equipment and investment property/Amortisation and net impairment losses on intangible assets	(1,773)	(1,790)	17	
Other operating income, net	4,647	2,528	2,119	
Operating costs	(25,829)	(27,496)	1,667	-6%
Net loss on equity investments	(210)	408	(618)	-151%
Profit (loss) from continuing operations before taxes	3,945	5,888	(1,943)	-33%
Income taxes	(248)	(1,780)	1,532	
Profit from continuing operations after taxes	3,697	4,108	(411)	-10%
Profit attributable to non-controlling interests	1,419	1,346	73	
Profit for the period attributable to the owner of the parent	2,278	2,762	(484)	-18%

A series of Group operating ratios at 30 June 2022 are shown below compared with the operating ratios of the same period of the previous year.

	1st half 2022 (%)	**1st half 2021 (%)**
Net interest income/Total income	12.02	17.42
Net fee and commission income/Total income	85.97	77.71
Cost/income ratio (Operating costs/Total income)	78.40	82.74
ROE (profit for the period/equity)	1.05	1.25
ROA (profit for the period/total assets)	0.10	0.14

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 2022, including the profit for the period, totalled 216,388 thousand euros and changed as follows:

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

Equity at 31 December 2021	227,200
Dividend distribution	(4,009)
Change in valuation reserves	(9,119)
Changes in other reserves	38
Changes for sale of treasury shares	-
Profit for the period	2,278
Equity at 30 June 2022	216,388

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

	Equity	of which: profit for the period
Balances as the Parent Report at 30 June 2022	245,630	4,163
Results of the investee companies as per the separate financial statements:		
- fully-consolidated companies	2,155	2,155
- companies valued at equity	(88)	(88)
Positive differences from consolidation:		
- previous years	(2,677)	
Surplus over the book value related to:		
- fully-consolidated companies	28,684	
Elimination of dividends		(4,138)
Other consolidation adjustments:	(57,316)	186
Balance resulting from the Group's consolidated financial statements at 30 June 2022	216,388	2,278

MOST SIGNIFICANT TRANSACTIONS AND EVENTS IN THE HALF-YEAR, SIGNIFICANT TRANSACTIONS AND EVENTS OCCURRING AFTER THE END OF THE HALF-YEAR AND OPERATING OUTLOOK

Most significant transactions and events in the half-year

- on 11 February 2022, Carlo Carlevaris, for many years Chairman of the Bank's Board of Directors, passed away. The whole Banca Finnat Euramerica Group remembers with deep emotion his qualities of great professionalism and humanity;
- on 24 March 2022, by means of a press release issued by the Bank, the Nattino Family expressed its intention to reorganise the ownership structure of Banca Finnat Euramerica S.p.A. The press release specifies that the members of the branch headed by Cavaliere del Lavoro Giampietro Nattino - namely Giampietro Nattino himself, Arturo Nattino, Andrea Nattino, Giulia Nattino, Paola Nattino, Celeste Buitoni, Giampietro Nattino jr and Paolo Nattino - subject to the issue of the authorisations required by law, wish to concentrate in a specifically set-up company called Nattino Holding S.r.l. the shares, held by them, totalling approximately 68.72% of the capital of Banca Finnat Euramerica S.p.A. The Transfer, the press release explained, is intended to provide long-term stability and certainty to the Bank's ownership structure through the adoption of an appropriate statutory structure for the Holding Company and will result in the acquisition of control by right of the Bank by the Holding Company. Therefore, following the Transfer, the press release continued, the Holding will promote, through a special purpose vehicle wholly owned by the Holding itself, a mandatory full takeover bid on the Bank's shares for a price not less than the transfer values and equal to 0.31 euros with the aim of delisting the Bank. The maximum outlay in the event of full acceptance of the offer will be approximately 17 million euros. The press release goes on to explain that the Holding Company and the special purpose vehicle intend to cover the financing partly through the use of their own funds and partly by resorting to a loan made available by Intesa Sanpaolo. The press release further specifies that, also on 24 March 2022, the Holding company that will control Banca Finnat entered into shareholders' agreements with some of the bank's shareholders representing a total of around 8% of the share capital. As anticipated in the press release, during April, requests were submitted to the Banking Supervisory Authority, with whom discussions were already underway, in order to obtain the authorisations required by current regulations. Subject to the issue of these authorisations and the carrying out of the transfer, the Holding Company and the special purpose vehicle will promote the Bid in the manner and within the time frame envisaged by the applicable regulations.
  Finally, the press release notes that if, at the outcome of the Bid, the Holding and the special purpose vehicle exceed the threshold of 90% of the Bank's share capital, the free float will not be restored and the Bank's shares will be delisted, in accordance with the sell-out and squeeze-out rules. If the delisting of the Bank is achieved, the Holding Company intends to propose to the competent bodies of the Bank, subject to the issue of the authorisations required by law and regulations, the implementation of the merger of the special purpose vehicle into the Bank itself.
- the Finnat Euramerica Banking Group qualified as a small, non-complex entity (SNCI). On 8 April 2022 - following the European Union's revision of the set of laws regulating bank capital (CRR2 Regulation and CRD5 Directive) - the Bank of Italy notified this bank by letter prot. 0592198/22 of the SNCI status assigned to the Group and all its banking components. This qualification was defined on the basis of a series of criteria, including quantitative criteria, referring to the date of 31 December 2021, and can be reviewed at least once a year. Intermediaries classified as SNCI may make use of simplified rules on certain profiles, including: supervisory reporting, public disclosure requirements, methods for measuring medium- and long-term liquidity risk and interest rate risk in the banking book;
- on 14 April 2022, the Bank's Board of Directors examined and approved the update of the Group's Business Plan for the period 2022-2024.
- On 28 April 2022, the Bank's Shareholder's Meeting:

- approved the Financial Statements for the year ended 31 December 2021 and resolved to distribute a gross dividend of 0.012 euros per share to Shareholders, payable as from 25 May 2022 (ex-dividend date 23 May 2022);
- confirmed as Director the Honorary Chairman Giampietro Nattino, who had already been co-opted by the Board of Directors on 14 June 2021. Nattino's term of office will expire, together with that of the entire Board of Directors, with the approval of the 2023 Financial Statements;
- approved the Report on the remuneration policy drawn up pursuant to Article 123-ter of Italian Legislative Decree no. 58/98.

Invasion of Ukraine by Russia

On 24 February 2022, Russian armed forces crossed the borders and began the invasion of Ukraine. The escalation came after Moscow's decision to recognise as independent the Ukrainian territories controlled by the separatist "People's Republics" of Donetsk and Lugansk in the Donbass. Many cities in Ukraine are under constant bombardment although the Ukrainian people are desperately resisting.

Since the beginning of the invasion, there have been over 4 million refugees fleeing the war to Poland and other neighbouring states, and there have been thousands of civilian and military deaths.

In response to the Russian government's military actions, the NATO countries reacted immediately by activating their defensive plans and putting their forces on maximum alert. Through the President of the Commission, the European Union has put in place heavy economic and financial sanctions such as: the interruption of the export of technology to Moscow, the freezing of Russian assets and the end of Russian banks' access to the European capital market.

The European Union, aligning itself with the position of the United States, Great Britain and Canada, has also excluded some Russian banks from the Swift international payment system.

The United States, Great Britain and part of the NATO member states are supplying weapons to Ukraine although NATO has refused to send troops to Ukraine to avoid the danger of a full-scale war.

The geopolitical risks raised by the conflict will have repercussions on the energy market, inflationary trends and thus on growth in the Eurozone and Italy, in particular. In particular, the current crisis has highlighted the problem of Europe's energy dependence on non-European countries and, in particular, on Russia. On 7 March 2022, with a joint press release, the Bank of Italy, CONSOB, IVASS and UIF called the attention of the supervised entities to full compliance with the restrictive measures adopted by the European Union in response to the Russian military aggression in Ukraine. In compliance with what is reported in the Press Release, the Bank put in place all the controls and devices necessary in order to comply with the restrictive measures adopted by the European Union and constantly monitors the updating of the measures in question.

The continuation of the Russia-Ukraine conflict, for which no diplomatic solutions are viable at the moment, together with the intensification of reactions in terms of economic and financial sanctions by the European Union and many NATO countries, outlines, as anticipated, a situation of uncertainty at the macroeconomic level, exchange rates, energy and raw material costs, trade, inflationary expectations, cost of debt and credit risks.

In the light of the above, it is currently not possible to make any forecasts regarding the potential economic impact of the situation of serious international instability that has arisen, the possible repercussions on the global macroeconomic framework and consequently on production. In any case, it is specified that the exposure to the two countries directly involved in the conflict is not likely to significantly affect the Bank's economic, capital and financial prospects. In any case, any decisions that will be taken at EU and international level and that could consequently affect the Bank's operations will be closely monitored.

Covid-19

Since the beginning of 2022 there has been a general worsening of the epidemiological situation in the country due to the wide spread of the new Omicron variant which recorded several times, during the month of January throughout the

national territory, peaks of positive Covid-19 tests exceeding 200,000 units per day and a number of deaths exceeding 400 units.
Especially in consideration of the speed of the epidemic, on 7 January 2022 the Government issued Italian Decree Law no. 1 for the adoption of further measures for the prevention and containment of Covid-19. In particular, the decree in force from 15 February to 15 June 2022 envisages the vaccination obligation for all workers in the public and private sectors aged 50. Therefore, it should be noted that the reinforced Green Pass, whose verification is the responsibility of employers, constitutes an essential requirement for carrying out working activities. Among other things, the decree envisages the extension of the basic Green Pass to access postal, banking and financial services as from 1 February 2022. Therefore, the Bank, in compliance with the new government measures, updated and integrated the circular issued on 13 October 2021. which defines the methods for checking possession of the Green Pass to access workplaces, it also strengthened the health facilities already in place and increased the number of smart working workers.
In March, there was a significant slowdown in the spread of the Covid-19 epidemic and a gradual return to "normality". Therefore, the Government, on 24 March 2022, issued Italian Law Decree no. 24 "Urgent provisions to overcome measures to combat the spread of the Covid-19 epidemic as a consequence of the state of emergency". This decree, in force since 1 April, put an end to the state of emergency, which was due to last until 31 March 2022, while maintaining appropriate measures to counter the spread of the virus. The measure establishes, among other things, that: new rules on isolation and self-monitoring are laid down; the obligation to wear an FFP2 mask in all indoor places remains in force until 30 April 2022; from 1 to 30 April 2022, access to workplaces with the basic green pass is permitted for everyone, including people aged 50 and over; and the provisions on agile work for private sector workers in a simplified mode are extended until 30 June 2022, even in the absence of individual agreements.
Following this decree, the Bank issued a circular on 28 March with effect from 1 April 2022, in order to give effect to the new government regulations in relation to those matters falling within its competence.
In April and May, there was a continuous and constant slowdown of the pandemic and a gradual return to normality, but from mid-June onwards, there was a new wave of Covid-19 infections caused by a new variant called Omicron BA.5. This virus is extremely contagious, far more so than previous types, and is highly resistant to antibodies developed either during previous infections or through vaccination, i.e. subjects already recovered from Covid or fully vaccinated can be re-infected.
On the other hand, this type of virus is much less aggressive than the previous variants. In fact, although there was a significant increase in the number of infections recorded at the end of June, the number of hospitalisations and intensive care units was rather low.
All the companies in the Banca Finnat Group, despite the emergency situation that has now lasted for over two years, have ensured and continue to ensure operational continuity towards counterparties and the market, always guaranteeing the maximum efficiency of the service offered to customers both in branches and through online banking services.

<u>Significant transactions and events occurring after the end of the half-year</u>

In the period between the end of the first half of 2022 and the date of preparation of these Financial Statements, no significant events or facts emerged that would entail the adjustment of the economic, equity and financial situation of the Bank.
However, it should be noted that:
- on 1 August 2022, the Bank acquired from AM Holding S.p.A. 9.9% of the capital of Hedge Invest SGR S.p.A., an asset management company specialised in alternative investments including the management of the fund called "HI Distressed Opportunities Fund";
- on 10 August 2022, the Banking Supervisory Authorities authorised the Nattino Family to transfer the Banca Finnat shares to Nattino Holding S.r.l. The reorganisation transaction is described in detail in the paragraph "Most significant transactions and events in the half-year" of this report.

Covid-19 - Invasion of Ukraine by Russia

With reference to the pandemic situation in July, the new Omicron BA.5 variant, due to its speed of spread, caused a general worsening of the epidemiological situation in Italy, with peaks of new cases of coronavirus positivity exceeding 140,000 per day, with a positivity rate of over 28% and an RT index rising to 1.4.

In the light of the situation described above, the Bank's Coronavirus Emergency Committee continuously monitors the evolution of the pandemic at national level in order to provide indications, also extended to the Group's subsidiaries, on how to deal with all the cases that could arise.

* * *

We are now more than six months into the war since the start of the offensive launched by Russia on the night of 23 and 24 February with the invasion of Ukrainian territory where Russian bombardment continues unabated.

The most important consequence of this war is obviously the loss of life and the humanitarian crisis associated with the large number of besieged and/or displaced people. However, the conflict also has serious consequences for the economy.

Russia and Ukraine are major producers and exporters of essential food items, minerals and energy. The war has already caused major economic and financial shocks, especially in the commodity markets where oil, gas and wheat prices have soared.

The two countries in conflict together account for about 30% of world wheat exports, 20% of exports of corn, inorganic fertilisers and natural gas, and 11% of oil exports.

Because of the war, the prices of these commodities, as already mentioned, have risen sharply, but should there be a complete and permanent halt to wheat exports by these nations, there would be serious shortages in many emerging and developing countries, with a serious risk not only of economic crises but also of humanitarian catastrophes accompanied by poverty and famine.

For the resolution of the war conflict, the US, EU and UK sought diplomatic mediation several times, but all negotiations between Russia and Ukraine did not lead to any agreement and were nipped in the bud.

On 5 July, as a consequence of the Russian aggression in Ukraine, the accession protocol for the entry of Sweden and Finland into NATO was signed: with the entry of the two Scandinavian countries, a process of enlargement of the Alliance began, which, once ratified, will consist of 32 member states.

The possible geopolitical repercussions brought about by the evolution of the conflict could significantly affect the macroeconomic outlook to an extent that cannot currently be foreseen; based on the current situation, the Bank and other Group companies have limited exposure to the countries involved in the conflict, however, the extreme uncertainty generated by the continuation of the hostilities, together with the violent rise in energy commodity prices, contributed to the sharp fall in equity indices (particularly in June) and bond indices (also due to the manoeuvres on rates to tackle inflation), which led to a reduction in assets under management of around 9% with a potential impact in terms of lower commissions.

However, note that the Bank is closely monitoring the development of the fallout of the Russian-Ukrainian crisis on the real economy and on the main financial variables in order to prevent or contain potential repercussions in terms of profitability and capital adequacy.

<u>Operating outlook</u>

The forecasts for the year 2022, prepared by the Bank and the other Group companies, were also prepared taking into account the serious situation of instability at the international level. To date, the expected results allow us to confirm interesting levels of profitability and capitalisation also for 2022.

In consideration of the uncertainty regarding the duration and outcome of the ongoing war between Russia and Ukraine, the Bank will provide, in its periodic reports during the financial year, updates on the effects that the evolution of the Russian invasion in Ukraine may have on the performance of company activities.

SOCIAL, ENVIRONMENTAL AND GOVERNANCE RESPONSIBILITY (ESG - Environmental, Social, Governance)

ESG regulation accelerated significantly in the years from 2020 to 2021 by both the European Commission and the supervisory authorities with the gradual entry into force of substantial EU regulation.
Therefore, Banca Finnat launched a Group-wide project aimed at strengthening in the medium to long term the various initiatives and activities, in part already undertaken, in support of an organic Group Sustainability Policy, both through the selection of investment solutions to propose to its customers and directly through business initiatives. In other words, it aims to implement sustainable finance whose purpose is to invest in instruments that generate both an economic return and a positive, concrete and measurable environmental and social impact.
In this regard, the Bank, also in order to meet regulatory requirements, decided to combine the financial assessments, on which investment choices are traditionally based, with analyses and assessments of environmental and governance factors in order to direct portfolio choices in Asset Management activities towards responsible and sustainable investments.
Also in order to implement the provisions of the European Supervisory Authority for Sustainable Development, the Bank set up a special working group called the "ESG Project Group". The Group is chaired by the Deputy Assistant General Manager and is composed of specific working groups including the ESG Contact Person of the subsidiary InvestiRE.
In the development of this project, the Bank is supported by the consulting firm KPMG, which is responsible, among other things, for providing all relevant updates to support the individual ESG working groups.

With specific reference to investment products and services, the Bank has long paid particular attention to ESG issues, introducing the sustainability topic into the investment strategies of Asset Management offered to customers as early as 2020. Attention that will now be extended to the advisory service, starting with the specific "sustainability preferences" that the Bank is collecting through special meetings and interviews with its private customers.

At the operational level, the Bank aims to equip itself with increasingly effective processes and procedures, actively collaborating to this end with its outsourcers and providers and with the support of Deloitte.

With regard to social responsibility, the commitment of the Bank and other Group companies to promote the well-being of people in a stimulating and safe working environment where opportunities for professional and human development are fostered continues. The Group also guarantees equal dignity and opportunity to all and works to ensure that cultural, character or attitudinal differences are considered and enhanced as the company's net worth.
Equally important is the attention paid by the Bank to gender issues in terms of personnel number balancing and remuneration policy.
The Bank has set up a welfare plan for the benefit of all employees; in particular, during the health emergency, it took prompt action to ensure the health and safety of all by complying with nationally established standards.
Among the Group companies, note that the subsidiary InvestiRE, the leading national operator in the social housing sector, is particularly sensitive to community support initiatives: in fact, social impact investments represent a significant and strategic portion of the assets under management with 11 funds dedicated to social housing owned by Fondo Investimenti per l'Abitare (FIA) set up by Cassa Depositi e Prestiti. The aim of these investments is to increase the offer of both housing and student accommodation and, above all, to create affordable housing for families unable to meet their housing needs on the market but with incomes above those entitling them to public housing assignment.

In terms of environmental sustainability, the Bank continues to operate in a way that makes its office activities more environmentally friendly and is constantly engaged in the process of making its consumption more efficient by limiting the use of physical and energy resources. These initiatives are accompanied by communication and awareness-raising activities towards all employees.

In particular, some of the actions that the Bank has been implementing for some time now concern: reduction of electricity consumption (100% from renewable sources), separate waste collection in all offices and use of recyclable stationery, reduction of paper consumption through the use of digital tools and recycled paper.

With regard to Governance, reference is made to the Corporate Governance section of this Report. On the other hand, as regards the information set forth in Article 123-bis of the Consolidated Financial Law, please refer to the specific document "*Report on Corporate Governance and Ownership Structure*" approved and published together with the 2021 Financial Statements and available on the Bank's website in the Corporate Governance section.

ASPECTS RELATING TO "CLIMATE CHANGE"

With reference to the Bank of Italy's communication dated 8 April 2022 on "Supervisory expectations on climate and environmental risks", the Bank's Management, as part of its periodic risk assessment, including those of a non-financial nature, considered possible risks related to climate change *(known as Climate Change*). The first analyses carried out by the Bank lead to qualify these risks as not particularly relevant for the Group; it is also believed that, in consideration of the business activity, climate change may represent an opportunity in the near future in terms of offering new products/services.

CONDENSED CONSOLIDATED HALF-YEARLY FINANCIAL STATEMENTS

2022

STATEMENT OF FINANCIAL POSITION
(in thousands of euro)

	Assets	30.06.2022	31.12.2021
10.	Cash and cash equivalents	136,075	115,367
20.	Financial assets at fair value through profit or loss	32,879	35,459
	a) financial assets held for trading	7,914	9,327
	c) other financial assets mandatorily measured at fair value	24,965	26,132
30.	Financial assets at fair value through other comprehensive income	357,367	345,869
40.	Financial assets at amortised cost	1,665,632	1,339,422
	a) loans and receivables with banks	52,923	54,372
	b) loans and receivables with customers	1,612,709	1,285,050
70.	Equity investments	10,174	10,385
90.	Property, equipment and investment property	18,683	19,896
100.	Intangible assets	31,102	31,089
	of which:		
	- goodwill	28,129	28,129
110.	Tax assets	12,453	9,993
	a) current	1,070	74
	b) deferred	11,383	9,919
130.	Other assets	45,074	38,408
	Total assets	2,309,439	1,945,888

STATEMENT OF FINANCIAL POSITION
(in thousands of euro)

	Liabilities and equity	30.06.2022	31.12.2021
10.	Financial liabilities at amortised cost	2,021,775	1,651,310
	a) due to banks	712	394
	b) due to customers	2,021,063	1,650,916
20.	Financial liabilities held for trading	1,260	2,065
60.	Tax liabilities	1,192	2,490
	a) current	416	911
	b) deferred	776	1,579
80.	Other liabilities	30,131	23,375
90.	Post-employment benefits	6,314	5,752
100.	Provisions for risks and charges:	56	124
	a) commitments and guarantees given	54	55
	c) other provisions for risks and charges	2	69
120.	Valuation reserves	1,172	10,292
150	Reserves	154,421	152,261
170.	Share capital	72,576	72,576
180.	Treasury shares (-)	(14,059)	(14,059)
190.	Non-controlling interests (+/-)	32,323	33,572
200.	Profit for the period (+/-)	2,278	6,130
	Total liabilities and equity	2,309,439	1,945,888

INCOME STATEMENT
(in thousands of euro)

	Items	1st half 2022	1st half 2021
10.	Interest and similar income	6,266	7,345
20.	Interest and similar expense	(2,307)	(1,556)
30.	**Net interest income**	**3,959**	**5,789**
40.	Fee and commission income	29,712	26,959
50.	Fee and commission expense	(1,386)	(1,135)
60.	**Net fee and commission income**	**28,326**	**25,824**
70.	Dividends and similar income	554	722
80.	Net trading expense	(278)	1,181
100.	Net gain from disposal or repurchase of:	826	44
	a) financial assets at amortised cost	5	61
	b) financial assets at fair value through other comprehensive income	821	(17)
110.	Net losses on other financial assets and liabilities at fair value through profit or loss	(440)	(329)
	b) other financial assets mandatorily measured at fair value	(440)	(329)
120.	**Total income**	**32,947**	**33,231**
130.	Net impairment losses for credit risk associated with:	(2,963)	(95)
	a) financial assets at amortised cost	(2,656)	(101)
	b) financial assets at fair value through other comprehensive income	(307)	6
140.	Net modification gains (losses)	-	(160)
150.	**Net financial income**	**29,984**	**32,976**
190.	Administrative expenses:	(28,771)	(28,364)
	a) personnel expenses	(18,984)	(19,010)
	b) other administrative expenses	(9,787)	(9,354)
200.	Net reversals of (accruals to) provisions for risks and charges	68	130
	a) commitments and guarantees given	1	130
	b) other	67	-
210.	Depreciation and net impairment losses on property, equipment and investment property	(1,708)	(1,699)
220.	Amortisation and net impairment losses on intangible assets	(65)	(91)
230.	Other operating income, net	4,647	2,528
240.	**Operating costs**	**(25,829)**	**(27,496)**
250.	Net loss on equity investments	(210)	408
290.	**Profit (loss) from continuing operations before taxes**	**3,945**	**5,888**
300.	Income taxes	(248)	(1,780)
310.	**Profit from continuing operations after taxes**	**3,697**	**4,108**
330.	**Profit for the period**	**3,697**	**4,108**
340.	Profit for the period attributable to non-controlling interests	1,419	1,346
350.	**Profit for the period attributable to the owner of the parent**	**2,278**	**2,762**

STATEMENT OF COMPREHENSIVE INCOME
(in thousands of euro)

	Items	1st half 2022	1st half 2021
10.	Profit for the period	3,697	4,108
	Other comprehensive income after taxes that will not be reclassified to profit or loss		
20.	Equity instruments at fair value through other comprehensive income	(4,014)	40
70.	Defined benefit plans	(298)	119
90.	Share of valuation reserves of equity-accounted investments	-	(34)
	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	(4,884)	51
170.	Total other comprehensive income after tax	(9,196)	176
180.	Comprehensive income (Items 10+170)	(5,499)	4,284
190.	Comprehensive income attributable to non-controlling interests	1,342	1,434
200.	Comprehensive income attributable to the owners of the parent	(6,841)	2,850

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2022
(in thousands of euros)

				Allocation of previous year's profit		Changes during the period									Equity at 30/06/2022		
						Changes in reserves	Equity transactions							Comprehensive income for the period 1 January - 30 June 2022			
	Balances at 31/12/2021	Change in opening balances	Balances at 01/01/2022	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:	183,485	-	183,485	4,623	-	(2,553)	-	-	-	-	-	-	-	-	185,555	154,421	31,134
a) income-related	127,286	-	127,286	4,173	-	(2,609)	-	-	-	-	-	-	-	-	128,850	120,625	8,225
b) other	56,199	-	56,199	450	-	56	-	-	-	-	-	-	-	-	56,705	33,796	22,909
Valuation reserve	10,138	-	10,138	-	-	-	-	-	-	-	-	-	-	(9,196)	942	1,172	(230)
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	(14,059)	-	(14,059)	-	-	-	-	-	-	-	-	-	-	-	(14,059)	(14,059)	-
Profit (loss) for the period	8,632	-	8,632	(4,623)	(4,009)	-	-	-	-	-	-	-	-	3,697	3,697	2,278	1,419
Equity	260,772	-	260,772	-	(4,009)	(2,553)	-	-	-	-	-	-	-	(5,499)	248,711	216,388	32,323
of which: attributable to the owners of the parent	227,200	-	227,200	-	(4,009)	38	-	-	-	-	-	-	-	(6,841)	216,388		
of which: attributable to non-controlling interests	33,572	-	33,572	-	-	(2,591)	-	-	-	-	-	-	-	1,342	32,323		

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 June 2021
(in thousands of euros)

				Allocation of previous year'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 (loss) 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 CASH FLOWS (indirect method)
(in thousands of euro)

	Amount	
	30.06.2022	**31.12.2021**
A. OPERATING ACTIVITIES		
1. Operations	2,142	2,726
- profit for the period (+/-)	2,278	6,130
- net losses on financial assets held for trading and on other financial assets and liabilities at fair value through profit or loss (-/+)	1,330	(1,375)
- gains/losses on hedging transactions (-/+)	-	-
- net impairment losses for credit risk (+/-)	2,963	1,057
- amortisation, depreciation and net impairment losses on property, equipment and investment property and intangible assets (+/-)	1,808	3,688
- net accruals to provisions for risks and charges and other costs/revenue (+/-)	(899)	(1,845)
- net premiums not received (-)	-	-
- other insurance income/expenses not received/paid (-/+)	-	-
- taxes, duties and tax credits not liquidated (+/-)	(248)	(3,508)
- net impairment losses/reversals of impairment losses on non-current assets held for sale and disposal groups net of tax effect (+/-)	-	-
- other adjustments (+/-)	(5,090)	(1,421)
2. Cash generated by/used for financial assets	(355,029)	(56,788)
- financial assets held for trading	523	(1,660)
- financial assets at fair value	-	-
- other financial assets mandatorily measured at fair value	727	(4,557)
- financial assets at fair value through other comprehensive income	(20,703)	(1,323)
- financial assets at amortised cost	(328,876)	(34,080)
- other assets	(6,700)	(15,168)
3. Cash generated by/used for financial liabilities	377,364	101,465
- financial liabilities at amortised cost	370,285	93,114
- financial liabilities held for trading	(805)	2,025
- financial liabilities at fair value	-	-
- other liabilities	7,884	6,326
Net cash flows generated by/used in operating activities	24,477	47,403
B. INVESTING ACTIVITIES		
1. Cash generated by	93	1
- disposals of equity investments	-	-
- dividends from equity investments	-	-
- disposals of property, equipment and investment property	93	1
- disposals of intangible assets	-	-
- disposals of subsidiaries and business units	-	-
2. Cash used for	147	(249)
- purchases of equity investments	-	-
- purchases of property, equipment and investment property	225	(125)
- purchases of intangible assets	(78)	(124)
- purchases of subsidiaries and business units	-	-
Net cash flows generated by/used in investing activities	240	(248)
C. FINANCING ACTIVITIES		
- issues/repurchases of treasury shares	-	-
- issues/purchases of equity instruments	-	-
- dividend and other distributions	(4,009)	(4,443)
- sale/purchase of subsidiaries' equity instruments	-	-
Net cash flows used in financing activities	(4,009)	(4,443)
NET CASH FLOWS FOR THE PERIOD	20,708	42,712

Key:
(+) generated
(-) used

RECONCILIATION	**30.06.2022**	**31.12.2021**
FINANCIAL STATEMENT ITEMS		
Cash and cash equivalents at the beginning of the period	115,367	72,655
Total net cash flows for the period	20,708	42,712
Cash and cash equivalents: effect of exchange rate changes	-	-
Cash and cash equivalents at the end of the period	136,075	115,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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 2022 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 2022, 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 2022 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 2021, 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 7 of 29 October 2021.

In the preparation of the Condensed Consolidated Half-Year Financial Statements at 30 June 2022, account was also taken of the communication of the Bank of Italy of 21 December 2021 - Update of the additions to the provisions of Circular no. 262 "The bank balance sheet: compilation schemes and rules", concerning the impacts of Covid-19 and measures to support the economy. This communication, which repeals and replace the previous one of 15 December 2020, has the purpose to update the additions to the provisions of Circular no. 262/2005 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, letter from the ECB dated 4 December 2020 and ESMA Notice of 29 October 2021).

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 2022 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 2021, while the Income Statement and Statement of Comprehensive Income for the first half of 2022 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 2021.
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 (for amendment or issuance of new standards) that apply from 1 January 2022 onwards are shown below:

- Regulation no. 1080/2021 - amendments to IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, IAS 41 Agriculture, IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations and IFRS 9 Financial Instruments

Moreover, the European Commission approved the following regulations (for amendments or issuances of new standards) which will be applied starting from 1 January 2023:

- Regulation no. 2036/2021 - adoption of IFRS 17 Insurance Contracts with consequent amendments to certain accounting standards (IFRS 1, IFRS 3, IFRS 5, IFRS 7, IFRS 9, IFRS 15, IAS 1, IAS 7, IAS 16, IAS 19, IAS 28, IAS 32, IAS 36, IAS 37, IAS 38, IAS 40).
- Regulation no. 357/2022 - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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.

In addition to the aforementioned equity investments, from July 2021, the Bank also fully consolidates the BFE Revalue Fund, a wholly owned structured entity.

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 2021.

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.
Structured entities in which the Group has direct or indirect control according to IFRS 10 are also considered subsidiaries. In particular, the structured assets represented by real estate investment funds are considered controlled entities and therefore fully consolidated when the Group has the power to direct/govern the relevant fund activities and/or exercise control over the manager's activities.
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.
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 2022 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:
- on 1 August 2022, the Bank acquired from AM Holding S.p.A. 9.9% of the capital of Hedge Invest SGR S.p.A., an asset management company specialised in alternative investments including the management of the fund called "HI Distressed Opportunities Fund";
- on 10 August 2022, the Banking Supervisory Authorities authorised the Nattino Family to transfer the Banca Finnat shares to Nattino Holding S.r.l. The reorganisation transaction is described in detail in the paragraph "Most significant transactions and events in the half-year" of this report.

Covid-19 - Invasion of Ukraine by Russia
With reference to the pandemic situation in July, the new Omicron BA.5 variant, due to its speed of spread, caused a general worsening of the epidemiological situation in Italy, with peaks of new cases of coronavirus positivity exceeding 140,000 per day, with a positivity rate of over 28% and an RT index of 1.4.
In the light of the situation described above, the Bank's Coronavirus Emergency Committee continuously monitors the evolution of the pandemic at national level in order to provide indications, also extended to the Group's subsidiaries, on how to deal with all the cases that could arise.

* * * *

We are now more than six months into the war since the start of the offensive launched by Russia on the night of 23 and 24 February with the invasion of Ukrainian territory where Russian bombardment continues unabated.

The most important consequence of this war is obviously the loss of life and the humanitarian crisis associated with the large number of besieged and/or displaced people. However, the conflict also has serious consequences for the economy.
Russia and Ukraine are major producers and exporters of essential food items, minerals and energy. The war has already caused major economic and financial shocks, especially in the commodity markets where oil, gas and wheat prices have soared.
The two countries in conflict together account for about 30% of world wheat exports, 20% of exports of corn, inorganic fertilisers and natural gas, and 11% of oil exports.
Because of the war, the prices of these commodities, as already mentioned, have risen sharply, but should there be a complete and permanent halt to wheat exports by these nations, there would be serious shortages in many emerging and developing countries, with a serious risk not only of economic crises but also of humanitarian catastrophes accompanied by poverty and famine.

For the resolution of the war conflict, the US, the EU and the United Kingdom have tried several times for diplomatic mediation but all the negotiations between Russia and Ukraine have not led to any agreement and are shipwrecked in the bud.
On 5 July, as a consequence of the Russian aggression in Ukraine, the accession protocol for the entry of Sweden and Finland into NATO was signed: with the entry of the two Scandinavian countries, a process of enlargement of the Alliance began, which, once ratified, will consist of 32 member states.

The possible geopolitical repercussions brought about by the evolution of the conflict could significantly affect the macroeconomic outlook to an extent that cannot currently be foreseen; based on the current situation, the Bank and other Group companies have limited exposure to the countries involved in the conflict, however, the extreme uncertainty generated by the continuation of the hostilities, together with the violent rise in energy commodity prices, contributed to the sharp fall in equity indices (particularly in June) and bond indices (also due to the manoeuvres on rates to tackle inflation), which led to a reduction in assets under management of around 9% with a potential impact in terms of lower commissions.

However, note that the Bank is closely monitoring the development of the fallout of the Russian-Ukrainian crisis on the real economy and on the main financial variables in order to prevent or contain potential repercussions in terms of profitability and capital adequacy.

Section 5 - Other information

Risks, uncertainties and impacts of the Covid-19 epidemic

In compliance with the Bank of Italy's communication dated 21 December 2021 "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 2022, 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 2022. 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;

- the estimate of actuarial gains/losses related to post-employment benefits;
- 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, IAS 36, IFRS 15, IFRS 16 and IAS 19, 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 2020 and of the IFRS Foundation of 27 March 2020, 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.*
  Already since last year, an amendment was made to point "16 - Other information and 6 - Methods for determining impairment losses" specifically regarding the identification of a "significant increase" in credit risk.
  Specifically, starting in last 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 reference to the measurement of expected losses on credit exposures, the competent Authorities suggest considering the deterioration of the economic situation caused by the Covid-19 pandemic and, taking into account the context of high uncertainty, estimate the expected losses avoiding excessively pro-cyclical assumptions, giving a greater weight to historical information than to long-term macroeconomic forecasts.
  To determine the collective write-down of performing positions (on- and off-balance sheet) at 30 June 2022, 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 scenarios based on the latest available forecasts. The estimation model adopted incorporates the macroeconomic scenarios implemented by the specialist provider Prometeia. The estimates of risk parameters, and in particular the forward looking information, show significant improvements at 30 June 2022, generated by the positive evolution of the macroeconomic framework, also determined by the positive contribution to growth provided by public investments thanks to the expected implementation of the RRP. However, the most recent events at both national and international level led the Bank to prudently maintain the forward looking information of the satellite model used in the calibration of the statistical matrices unchanged from the previous quarter in the development of the impairment model. This decision was motivated by uncertainty about the EU's ability to meet its energy requirements given the blockades implemented and to be implemented by Russian suppliers; by worsening inflationary pressures, fuelled by rising prices in the energy and food sectors, which prompted the ECB to raise interest rates by 50 basis points on 21 July

(double what the market expected), and by the recent political crisis that led to the resignation of the government in Italy, raising doubts about the ability to meet the planned time schedule for the implementation of the RRP projects.
The forward looking information required by the model identify three scenarios (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, in continuity with the previous year, decided to change the above weights, prudentially assigning a weight of 90 to the Worst scenario and a weight of 5 to the Base and Best scenarios.

- 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 2022, there were no significant changes in the fair value hierarchy and with regard to the valuation of financial instruments classified in level 3, the Group maintained the same criteria adopted in the 2021 financial statements.

- Impairment of assets
  At 30 June 2022, 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 losses due to the economic crisis triggered by the pandemic.

  As regards Goodwill recognised in the half-year report of the subsidiary Investire SGR, in order to decide whether it would be necessary to record an impairment loss, 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 criteria underlying the impairment calculation are summarised in the document "Measurement Methodologies and Impairment Test", approved by the competent decision-making bodies of the Bank.
  At 30 June 2022, 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 a growth rate of 1.5%: the forward looking data used in the measurement at 30 June 2022 therefore refer to the projections for subsequent financial years prepared by the Management of the asset management company with the control and coordination of the Parent Company. The WACC thus determined is 7.92%.
  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).
  Deferred tax assets at 30 June 2022 are 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

with regard to the economic and financial projections of the Group, it is deemed with reasonable certainty that the deferred tax assets recognised in the statement of financial position assets will be recovered in full.

With regard to IAS 19 and provisions for risks and charges, in the period under review, the Bank and other Group companies did not record any significant changes caused by the consequences of the Covid-19 pandemic.

Contractual changes resulting from Covid-19

1) Contractual changes and accounting derecognition (IFRS 9)
At 30 June 2022, 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 in the period in question - 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.

Despite the economic crisis which significantly affected many production sectors at national level, the Group recorded a 10% increase in net fee and commission income. The Group's total income for the first half of 2022 was in line with that of the same period of the previous year, despite the result of the bank's trading portfolio, which was affected by the negative performance of both equity and bond markets in the first half of the year. Note that there was no negative impact in absolute and relative terms on the main items of the statement of financial position and income statement as a result of the pandemic during the period under review; the decrease in profit for the half-year period compared to the same period in 2021 is in fact mainly attributable to the analytical adjustments on bad loans prior to the pandemic due to the revision of asset recovery estimates.
In particular, the increase in net fee and commission income recorded compared to the first half of 2021 is attributable to: i) the 13% increase in the Bank's net fee and commission income, mainly due to the increase in trading commissions (+39%), advisory commissions on managed deposits, thanks to the growth in indirect deposits, as well as the increase in commissions on the placement of insurance products; ii) the 8% increase in commissions related to the real estate

fund management sector due to higher performance sales commissions and those related to the implementation of new projects.

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 liquidity position has always remained solid thanks to the broad availability of liquid reserves. In particular, in the first half of 2022, the regulatory indicators - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) - were 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 2022 remained unchanged with respect to those adopted in preparing the 2021 Financial Statements:
The accounting standards as concerns classification criteria, measurement and de-recognition, as well as the methods of recognition of costs and revenue of the main financial statement items 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 equity instruments 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.

<u>2. Financial assets at fair value through other comprehensive income (FVOCI)</u>

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 "non-performing", 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.

5 - Equity investments

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 period, 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 period 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 period, 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 March 2022 for the 2022-2024 three-year 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 post-employment benefits 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).

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.

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.

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 letter 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.

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.

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 revenue that derive directly and jointly from the same transactions or events. Costs (including impairment losses) that cannot be related to revenue 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 revenue 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. Write-offs

The gross book value of a financial asset must be reduced if there are no longer reasonable expectations of recovering this asset in its entirety or in part. The “write-off” may occur before legal actions for the recovery of the financial asset have ended and does not necessarily involve the waiver of the legal right to recover the receivable by the bank.

The Banca Finnat Group resorts to the cancellation - in whole or in part - of uncollectable financial assets and proceeds to the consequent write-off of the residual value not yet adjusted in the following cases:

- sale of financial assets;
- partial or complete waiver of the receivable claimed following initiatives deriving from specific agreements concluded between the Bank and its customers/debtors;

- irrecoverability of the receivable when, following the actions taken by the Bank, the exposure is not recoverable from certain and precise elements (for example: when in the context of an insolvency procedure it is established that the unsecured exposures will not be repaid; when the debtor is untraceable or is destitute; when it is impossible to initiate actions to recover receivables);
- when, without waiving the credit, there are reasonable elements to indicate that the receivable is not recoverable and the possibilities of recovery are very marginal. In this case, the write-off can only affect the portion of credit covered by provisions.

8.Purchased or originated impaired financial assets

Purchased or originated impaired financial assets ("POCI") are credit exposures that are non-performing upon initial recognition.

These exposures may arise both from the purchase, from third parties, of non-performing credit exposures and from the restructuring of non-performing exposures that have led to the disbursement of new finance that is significant in absolute or relative terms in proportion to the amount of the original exposure.

These financial instruments follow the same initial classification rules as other financial assets, to be carried out on the basis, on the one hand, of the contractual characteristics of the related cash flows (SPPI Test) and, on the other, of the management intent (business model) for which the instruments in question are held. In the event that the financial instruments in question, based on the combined effect of the two drivers mentioned above, fall into the categories valued at amortised cost or at fair value through other comprehensive income, they must be identified, pursuant to IFRS 9, as "Purchased or Originated Credit Impaired Assets" ("POCI"). In case of failure of the SPPI Test, the financial instruments must be recognised at FVTPL.
The "purchased or originated impaired financial assets" are conventionally classified initially as part of Stage 3 since the expected credit loss must always be calculated considering a time horizon equal to the residual duration. If, following an improvement in the creditworthiness of the counterpart after initial recognition, the assets are found to be "performing", they can be reclassified as part of Stage 2.

In line with the criteria established by the Policy of the Bank currently in force, the Banca Finnat Group defines the application choices regarding Originated Credit Impaired Assets - POCI, as follows:

- loans granted to customers already entrusted by the Group with a high credit risk profile ("non-performing assets").
  The Banca Finnat Group believes that POCI is present only where the new loan disbursed exceeds 30% of the existing exposure and the economic conditions (interest) are significantly worse than those in place. In other words, these are cases in which the new credit exposure is the result of the derecognition of a previous credit relationship to which substantial contractual changes have been made.
- loans granted to new customers with a high credit risk profile.
  In cases of loans granted to new customers with a high credit risk profile ("non-performing assets"), the issue of classification is closely related to whether or not the SPPI test is passed. If the SPPI test is passed, the financial asset will be valued at amortised cost or fair value with through other comprehensive income based on the business model adopted and will be considered a POCI.

At 30 June 2022, there are no purchased or originated impaired financial assets in the Group's portfolio.

9. 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 period 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	30.06.2022			31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Financial assets at fair value through profit or loss	1,905	25,108	5,866	3,651	26,084	5,724
a) financial assets held for trading	1,831	5,635	448	2,924	5,955	448
b) financial assets at fair value	-	-	-	-	-	-
c) other financial assets mandatorily measured at fair value	74	19,473	5,418	727	20,129	5,276
2. Financial assets at fair value through other comprehensive income	352,055	459	4,853	330,357	500	15,012
3. Hedging derivatives	-	-	-	-	-	-
4. Property, equipment and investment property	-	-	-	-	-	-
5. Intangible assets	-	-	-	-	-	-
Total	353,960	25,567	10,719	334,008	26,584	20,736
1. Financial assets held for trading	-	360	900	989	176	900
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	360	900	989	176	900

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

The change (from 15,012 thousand euros to 4,853 thousand euros) in level 3 of item 2. Financial assets at fair value through other comprehensive income, is mainly due to the exchange transaction, which took place in early January, of SIA S.p.A. shares (level 3), owned by the Bank, into Nexi S.p.A. shares (level 1) following the merger of the former company into the latter.

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	30.06.2022				31.12.2021			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Financial assets at amortised cost	1,665,632	992,532	2,474	679,237	1,339,422	752,318	2,588	602,748
2. Investment property	-	-	-	-	-	-	-	-
3. Non-current assets held for sale and disposal groups	-	-	-	-	-	-	-	-
Total	1,665,632	992,532	2,474	679,237	1,339,422	752,318	2,588	602,748
1. Financial liabilities at amortised cost	2,021,775	-	-	2,021,775	1,651,310	-	-	1,651,310
2. Liabilities associated with discontinued operations	-	-	-	-	-	-	-	-
Total	2,021,775	-	-	2,021,775	1,651,310	-	-	1,651,310

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.

<u>A.5 Information on day one profit/loss</u>

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 30.06.2022	Total 31.12.2021
a) Cash	619	646
b) Demand deposits at Central Banks	225	227
c) Current accounts and demand deposits with banks	135,231	114,494
Total	136,075	115,367

At 30 June 2022, total net impairment losses for credit risk on current accounts and demand deposits with banks amounted to 112 thousand euros. In the first half of 2022, total impairment losses of 15 thousand euros were recognised.

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 30.06.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
A. Cash assets						
1. Debt securities	532	275	-	506	300	-
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	532	275	-	506	300	-
2. Equity instruments	1,207	-	-	1,055	-	-
3. UCI units	34	5,091	-	45	5,653	-
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total A	1,773	5,366	-	1,606	5,953	-
B. Derivatives						
1. Financial derivatives	58	269	448	1,318	2	448
1.1 held for trading	58	269	448	1,318	2	448
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	58	269	448	1,318	2	448
Total (A+B)	1,831	5,635	448	2,924	5,955	448

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

Financial assets held for trading amounted to 7,914 thousand euros (9,327 thousand euros at 31 December 2021) and include titles to property of the Bank of 7,673 thousand euros and of Natam S.A. of 241 thousand euros.

The item “A.1. Debt securities” equal to 807 thousand euros (806 thousand euros at 31 December 2021) is exclusively attributable to the Bank and is made up in Level 1 almost exclusively of corporate bonds for 530 thousand euros and in Level 2 of the Net Insurance bond 28/9/31.

The item "A.2. Equity instruments" equal to 1,207 thousand euros is exclusively attributable to the Bank and mainly concerns securities held in the portfolio for specialist activities.

Item "A.3. UCI units" amounting to 5,125 thousand euros (5,698 thousand euros at 31 December 2021) includes in Level 1: New Millennium Funds of 28 thousand euros and QF Immobilium Fund of 6 thousand euros owned by the Bank; in Level 2: units of New Millennium Funds owned by the Bank of 4,850 thousand euros and owned by Natam S.A. of 241 thousand euros.

Item "B. Derivatives” - Level 1 concerns warrants of 58 thousand euros, Level 2 concerns the positive valuation of currency forwards of 269 thousand euros and Level 3 concerns the value of the earn out for the purchase of InvestiRE SGR S.p.A. shares of 448 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.

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

Items/Amounts	Total 30.06.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	888	-	-	1,001	-
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	-	888	-	-	1,001	-
2. Equity instruments	-	-	6	-	-	6
3. UCI units	74	18,585	5,412	727	19,128	5,270
4. Loans	-	-	-	-	-	-
4.1 Repurchase agreements	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-
Total	74	19,473	5,418	727	20,129	5,276

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

The item Financial assets mandatorily measured at fair value amounted to 24,965 thousand euros (26,132 thousand euros at 31 December 2021) and included under debt securities the ITAS 12/31 (level 2) subordinate bond owned by the Bank; equity instruments (level 3) included exclusively two ATAC equity financial instruments owned by the Bank; the UCI units at 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 (FIP fund for 15,049 thousand euros, New Millennium funds for 2,643 thousand euros and Thema fund for 893 thousand euros) and in Level 3 included units of the Apple Fund for 1,022 thousand euros, owned by the Bank, and units of the PRS Italy fund for 4,390 thousand euros, 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 30.06.2022			Total 31.12.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities	345,917	459	-	329,796	500	-
1.1 Structured securities	-	-	-	-	-	-
1.2. Other debt securities	345,917	459	-	329,796	500	-
2. Equity instruments	6,138	-	4,853	561	-	15,012
3. Loans	-	-	-	-	-	-
Total	352,055	459	4,853	330,357	500	15,012

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

Financial assets at fair value through other comprehensive income totalled 357,367 thousand euros (345,869 thousand euros at 31 December 2021).

Item 1. Debt securities - Level 1 - consists almost exclusively of Government Bonds held by the Bank. Level 2 relates only to a Net Insurance bond 28/9/31 owned by the Bank. At 30 June 2022, total net impairment losses on credit risk on these securities amounted to 368 thousand euros. The value is recognised in item 120. Valuation reserves (after taxes) instead of as an adjustment to this item.
In the first half in question, impairment losses of 307 thousand euros were recognised.

Item 2.Equity instruments consists of an equity investment of one thousand euros (Level 3) owned by InvestiRE SGR S.p.A. and of the following strategic investments of the Bank:
- Level 1: Net Insurance S.p.A. (600 thousand euros including the positive valuation reserve equal to 309 thousand euros) and Nexi S.p.A. (5,538 thousand euros including the positive valuation reserve equal to 4,417 thousand euros);
- Level 3: Fideuram Asset Management SGR S.p.A. (1,788 thousand euros including the positive valuation reserve equal to 978 thousand euros), CSE Consorzio Servizi Bancari S.r.l. (2,450 thousand euros including the negative valuation reserve of 54 thousand euros), SIT S.p.A. (12 thousand euros including the negative valuation reserve equal to 3 thousand euros), Real Estate Roma Olgiata S.r.l. (572 thousand euros including the negative valuation reserve equal to 585 thousand euros) and Resilience S.r.l. (30 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 30.06.2022						Total 31.12.2021					
	Book value			*Fair value*			Book value			*Fair value*		
	Stages 1 and 2	Stage 3	*Purchased or originated impaired*	L1	L2	L3	Stages 1 and 2	Stage 3	*Purchased 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	52,923	-	-	-	-	52,923	54,372	-	-	-	-	54,372
1. Loans	52,923	-	-	-	-	52,923	54,372	-	-	-	-	54,372
1.1. Current accounts and demand deposits	-	-	-	X	X	X	-	-	-	X	X	X
1.2. Time deposits	48,528	-	-	X	X	X	40,306	-	-	X	X	X
1.3. Other loans:	4,395	-	-	X	X	X	14,066	-	-	X	X	X
- Reverse repurchase agreements	-	-	-	X	X	X	-	-	-	X	X	X
- Lease financing	-	-	-	X	X	X	-	-	-	X	X	X
- Other	4,395	-	-	X	X	X	14,066	-	-	X	X	X
2. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	-	-	-	-	-	-	-	-	-	-	-	-
Total	52,923	-	-	-	-	52,923	54,372	-	-	-	-	54,372

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

Loans and receivables with banks totalled 52,923 thousand euros (54,372 thousand euros at 31 December 2021).
This item does not include current accounts and demand deposits at banks, which are allocated to Cash and cash equivalents.

Item B.1.2. Time deposits, exclusively pertaining to the Bank, of 48,528 thousand euros refers to an interbank deposit with maturity 12 July 2022 of 41,599 thousand euros and the Compulsory reserve deposited by the Bank with BFF Bank S.p.A. for 6,929 thousand euros (both amounts after collective write-down). At 31 December 2021, the Compulsory reserve amounted to 6,407 thousand euros.

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

At 30 June 2022, total net impairment losses on credit risk to banks amounted to 11 thousand euros (entirely pertaining to the Bank). In the first half-year in question, value recoveries of 7 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 30.06.2022						Total 31.12.2021					
	Book value			*Fair value*			Book value			*Fair value*		
	Stages 1 and 2	Stage 3	*Purchased or originated impaired*	L1	L2	L3	Stages 1 and 2	Stage 3	*Purchased or originated impaired*	L1	L2	L3
1. Loans	592,201	19,976	-	-	-	626,314	507,542	23,286	-	-	-	548,376
1.1. Current accounts	196,862	2,087	-	X	X	X	200,680	2,159	-	X	X	X
1.2. Reverse repurchase agreements	202,410	-	-	X	X	X	25,997	-	-	X	X	X
1.3. Mortgages	137,366	9,108	-	X	X	X	159,629	9,094	-	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	55,563	8,781	-	X	X	X	121,236	12,033	-	X	X	X
2. Debt securities	1,000,532	-	-	992,532	2,474	-	754,222	-	-	752,318	2,588	-
2.1. Structured securities	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Other debt securities	1,000,532	-	-	992,532	2,474	-	754,222	-	-	752,318	2,588	-
Total	1,592,733	19,976	-	992,532	2,474	626,314	1,261,764	23,286	-	752,318	2,588	548,376

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

Loans and receivables with customers totalled 1,612,709 thousand euros (1,285,050 thousand euros at 31 December 2021).

At the reporting date of these Financial Statements, the items relating to current accounts, mortgages and other loans include non-performing assets (Bucket 3) relating to the Parent Company totalling 45,429 thousand euros (19,666 thousand euros net of write-downs) comprising:

- bad loans totalling 30,870 thousand euros (8,458 thousand euros net of write-downs), referring to the following positions:
  - 15,249 thousand euros (893 thousand euros net of write-downs) relating to a receivable for a loan due from Bio-On. Following the updated estimate of the estimated realisable value of the receivable, a further net impairment loss of 2,162 thousand euros was made in June 2022.
  - 8,239 thousand euros (5,441 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.
  - 7,382 thousand euros, of which 1,125 thousand euros referring to trade receivables (215 thousand euros net of write-downs) and 6,257 thousand euros (1,909 thousand euros net of write-downs) to receivables relating to cash loans.

  The line-by-line write-downs carried out therefore totalled 22,412 thousand euros (including 910 thousand euros referring to trade receivables), with a total coverage rate of 73%.

During the half-year, a bad loan of originally 4,572 thousand euros related to a mortgage terminated on 8 July 2011 was closed. This closure took place with the collection of a principal amount of 986 thousand euros and with the transfer to loss from cancellation, subject to the approval of the Bank's Board of Directors, of 4,571 thousand euros (against a net value recovery of 3,528 thousand euros relative to the fund previously set aside); as a result of the partial cancellation, there is a residual receivable of one thousand euros completely written down.

- unlikely-to-pay totalling 14,252 thousand euros (10,916 thousand euros net of write-downs), comprising:
  - current account overdraft facilities and other loans for collectable interests amounting to a total of 3,130 thousand euros (2,052 thousand euros net of write-downs);
  - mortgages amounting to 11,062 thousand euros, of which 1,337 thousand euros in overdue instalments and 9,725 thousand euros in principal maturing (8,852 thousand euros net of write-downs);
  - trade receivables of 60 thousand euros (12 thousand euros net of write-downs).

  Therefore, the itemised write-downs made totalled 3,336 thousand euros (of which 48 thousand euros referring to trade receivables);

- other positions expired or past due by over 90 days amounting to 307 thousand euros (292 thousand euros net of write-downs).

At 30 June 2022, the Bank had 45 "forborne" exposures, of which:

- 21 non-performing positions totalling 39,291 thousand euros (16,550 thousand euros net of write-downs), of which 3 positions included among bad loans of 26,502 thousand euros, 18 positions included among unlikely-to-pay of 12,789 thousand euros.
- 24 performing positions totalling 17,569 thousand euros.

At 30 June 2022, 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 1,740 thousand euros, lower than the allocations made for this purpose through 31 December 2021 (equal to 1,815 thousand euros).

In the first half of 2022, the Bank recorded in the Income Statement 45 thousand euros for portfolio impairment losses on debt securities; it also recorded 2,553 thousand euros for net impairment losses on loans and receivables with customers, broken down as follows: 75 thousand euros for portfolio value recoveries, 3,835 thousand euros for specific value recoveries, 2,641 thousand euros for specific impairment losses and 3,822 thousand euros for cancellation losses.

At 30 June 2022, the allowance for doubtful loans and receivables with customers of the Bank, excluding securities, reached 27,503 thousand euros, of which 25,763 thousand euros on an itemised basis and 1,740 thousand euros in portfolio impairment losses.

With regard to other Group companies, the itemised allowance for doubtful receivables (Bucket 3) at 30 June 2022 amounted to 726 thousand euros against gross non-performing loans of 1,037 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 2022 amounted to 153 thousand euros for InvestiRE SGR S.p.A. and to a total of 2 thousand euros for the other Group companies. During the period in question, subsidiaries recognised value adjustments on loans and receivables with customers in the Income Statement of 50 thousand euros.

Item 1.7. Other loans includes, in addition to bad loans and impaired trade receivables (Bucket 3) totalling 8,781 thousand euros (of which 8,470 thousand euros related to the Bank already commented on as non-performing assets), Deposits for margins with Cassa di Compensazione e Garanzia and *ICE Clear Europe Ltd* for 46,330 thousand euros (Bucket 1), sublease receivables for 16 thousand euros (Bucket 1) and trade receivables for 9,217 thousand euros (Bucket 2). The latter refer to the Bank for 3,175 thousand euros and to other group companies for 6,042 thousand euros.

Item 2.2 Other debt securities pertains exclusively to the Bank and includes Government Bonds for 997,939 thousand euros and the bond loan issued by Growth Market Basket Bond S.r.l., a securitisation company of 2,593 thousand euros. The total portfolio impairment losses for those securities amounted to 187 thousand euros after utilisation for sales of 5 thousand euros. During the year, net impairment losses of 45 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						
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 2022, the item amounted to 10,174 thousand euros (10,385 thousand euros at 31 December 2021).

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

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

Assets/Amounts	Total 30.06.2022	Total 31.12.2021
1. Owned assets	3,975	4,136
a) land	1,308	1,308
b) buildings	1,667	1,735
c) furniture	688	715
d) electronic equipment	312	365
e) other	-	13
2. Rights of use acquired through leases	14,708	15,760
a) land	-	-
b) buildings	14,232	15,205
c) furniture	-	-
d) electronic equipment	28	38
e) other	448	517
Total	18,683	19,896
of which: obtained through enforcement of guarantees received	-	-

Section 10 - Intangible assets – Item 100

10.1 Intangible assets: breakdown by asset type

Asset/Amounts	Total 30.06.2022		Total 31.12.2021	
	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	16,762
A.1.2 attributable to non-controlling interests	X	11,367	X	11,367
A.2 Other intangible assets	247	2,726	234	2,726
of which software	233	-	216	-
A.2.1 Assets at cost:	247	2,726	234	2,726
a) Internally generated intangible assets	-	-	-	-
b) Other assets	247	2,726	234	2,726
A.2.2 Assets at fair value:	-	-	-	-
a) Internally generated intangible assets	-	-	-	-
b) Other assets	-	-	-	-
Total	247	30,855	234	30,855

Intangible assets amounted to 31,102 thousand euros (31,089 thousand euros at 31 December 2021).
Item A.1 Goodwill, amounting to 28,129 thousand euros, comprises:

- 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.
- 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. 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 S.p.A. In order to decide whether it would be necessary to record an impairment loss, 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 criteria underlying the impairment calculation are summarised in the document "Measurement Methodologies and Impairment Test", approved by the competent decision-making bodies of the Bank.
  At 30 June 2022, 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 a growth rate of 1.5%: the forward looking data used in the measurement at 30 June 2022 therefore refer to the projections for subsequent financial years prepared by the Management of the asset management company with the control and coordination of the Parent Company. The WACC thus determined is 7.92%.

  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 1,070 thousand euros (74 thousand euros at 31 December 2021) and concerned mainly an IRES receivable from the domestic consolidated tax system of 1,036 thousand euros and receivables for additional IRES referred to the Bank for 25 thousand euros.

Current tax liabilities amounted to 416 thousand euros (911 thousand euros at 31 December 2021) and mainly included IRAP payables for 53 thousand euros and VAT payables to be paid for 308 thousand euros.

Deferred tax assets accounted for with reference to the deductible temporary differences amounted to 11,383 thousand euros (9,919 thousand euros at 31 December 2021) and referred, for 8,701 thousand euros to taxes recognised through profit or loss and for 2,682 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 1,257 thousand euros, InvestiRE SGR S.p.A. for 7,375 thousand euros (of which goodwill for 6,830 thousand euros) and Finnat Fiduciaria S.p.A. for 69 thousand euros; while the taxes recognised with a corresponding item in equity are attributable to the Bank for 2,607 thousand euros, InvestiRE SGR S.p.A. for 33 thousand euros and Finnat Fiduciaria S.p.A. for 42 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 (2,486 thousand euros) and the recognition of actuarial losses on the Provisions for post-employment benefits (196 thousand euros).

Deferred tax liabilities amounted to 776 thousand euros (1,579 thousand euros at 31 December 2021) and are recognised through profit or loss for 139 thousand euros and as a balancing entry in equity for 637 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 relating to the Bank, it should be noted that on 22 December 2021 the Regional Tax Court of Lazio Sect. 13 issued sentence no. 485/22 filed on 3 February 2022 which accepted the appeal presented by the Bank, concerning the dispute against 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). In relation to this dispute, the Bank had already charged 55 thousand euros to the income statement in the previous years, plus penalties and interest.
The deadlines for appealing to the Supreme Court by the Revenue Agency are still pending.

As regards the other Group companies, the subsidiary InvestiRE SGR S.p.A. has a tax dispute in progress relating to the merged company Beni Stabili Gestioni S.p.A. SGR, regarding the objection to the IRES/IRAP assessment notices for the year 2006. The company was successful in the first instance hearing, lost the first appeal and is awaiting the result of the appeal to the Court of Cassation. The entire amount requested by way of taxes, penalties, interest and collection premium was paid in previous years for a total of 351 thousand euros and covered by indemnity agreements with the shareholders of the merged company.

It should also be noted that InvestiRE SGR S.p.A. is party to some tax disputes relating to claims for IMU due from the H1 Fund in compulsory administrative liquidation for properties located in the Municipalities of Palermo, Pomezia (Rome) and Catania and the related compulsory collection by the tax collection office. The disputes derive from tax payables for IMU purposes due, from the H1 fund in liquidation, relating to tax periods prior to the judgement of the Court of Rome and the consequent provision of the Bank of Italy, which dictated and executed the fund's entry into the compulsory administrative liquidation procedure (LCA) and the consequent appointment of the liquidator. Therefore, these are claims for taxes due by the H1 Fund which have been recognised and included in the liabilities of the LCA procedure and which, nevertheless, are ascertained by the Municipalities and/or requested in payment by the AdER to the Company due to the fact that the same managed the H1 Fund during the tax periods of reference and neglecting to consider both the limitations of the liability of the Company, as an asset management company, and the effects of the subsequent LCA of the H1 Fund.

Section 13 - Other assets – Item 130

13.1 Other assets: breakdown

	Total 30.06.2022	Total 31.12.2021
Receivables for guarantee deposits	515	512
Deposits with Cassa Compensazione e Garanzia	17,561	8,479
Deposits with Ice Clear Europe	12,543	12,950
Due from counterparties and brokers	1	4,831
Tax credits for withholding tax	7,541	7,299
Sundry receivables	6,913	4,337
Total	45,074	38,408

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 30.06.2022				Total 31.12.2021			
	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	712	X	X	X	394	X	X	X
2.1 Current accounts and demand deposits	574	X	X	X	381	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	138	X	X	X	13	X	X	X
2.6 Other payables	-	X	X	X	-	X	X	X
Total	712			712	394			394

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

Item 2.1 Current accounts and demand deposits are the exclusive responsibility of the Bank while item 2.5 Lease payables exclusively concerns Natam.

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

Type of transactions/Amounts	Total 30.06.2022				Total 31.12.2021			
	BV	*Fair value*			BV	*Fair value*		
		L1	L2	L3		L1	L2	L3
1. Current accounts and demand deposits	774,795	X	X	X	678,667	X	X	X
2. Time deposits	224,489	X	X	X	178,583	X	X	X
3. Loans	997,278	X	X	X	750,671	X	X	X
3.1 Repurchase agreements	997,278	X	X	X	750,671	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	14,942	X	X	X	16,134	X	X	X
6. Other payables	9,559	X	X	X	26,861	X	X	X
Total	2,021,063			2,021,063	1,650,916			1,650,916

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 30.06.2022					Total 31.12.2021				
	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	-	-	360	900	-	-	989	176	900	-
1. Financial derivatives	-	-	360	900	-	-	989	176	900	-
1.1 Held for trading	X	-	360	900	X	X	989	176	900	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	-	360	900	X	X	989	176	900	X
Total (A+B)	X	-	360	900	X	X	989	176	900	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 held for trading exclusively pertain to the Bank.
Item "B. Derivative instruments" equal to 1,260 thousand euros relates to: in level 2 the negative valuation of forward contracts for the purchase and sale of currencies and in Level 3 the value of the earn-outs relating to the purchase and sale of InvestiRE SGR S.p.A. shares. This latter transaction is fully illustrated in the "Documento informativo relativo ad operazioni di maggiore rilevanza con parti correlate" already mentioned in the comment under item Financial liabilities held for trading.

Section 6 - Tax liabilities – Item 60

See Section 11 of assets.

Section 8 - Other liabilities – Item 80

8.1 Other liabilities: breakdown

	Total 30.06.2022	Total 31.12.2021
Social security and insurance contributions to be paid	1,241	1,943
Payables due to employees and contractors	4,259	4,851
Emoluments to be paid to the Directors	411	162
Emoluments to be paid to the Board of Statutory Auditors	151	193
Trade payables	2,488	1,932
Shareholders for dividends to be paid	1,155	1,448
Payables to brokers and institutional counterparties	269	1,526
Tax payables for withholding tax	3,448	6,013
Sundry payables	16,709	5,307
Total	30,131	23,375

Section 9 - Post-employment benefits - Item 90

9.1 Post-employment benefits: annual changes

	Total 30.06.2022	Total 31.12.2021
A. Opening balances	5,752	5,605
B. Increases	1,197	1,565
B.1 Allocations for the period	1,197	1,565
B.2 Other changes	-	-
C. Decreases	635	1,418
C.1 Severance indemnities paid out	216	734
C.2 Other changes	419	684
D. Closing balances	6,314	5,752

Item B.1 Allocations for the period, includes an actuarial loss of 397 thousand euros recognised among valuation reserves, net of the tax effect, in accordance with IAS 19. In 2021, an actuarial gain of 18 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 30.06.2022	Total 31.12.2021
1. Provisions for credit risk related to commitments and financial guarantees given	54	55
2. Provisions on other commitments and other guarantees given	-	-
3. Company pension funds	-	-
4. Other provisions for risks and charges	2	69
4.1. Legal and tax disputes	-	-
4.2. Personnel expenses	-	-
4.3. Other	2	69
Total	56	124

Item 1. Provisions for credit risk related to commitments and financial guarantees given concerns the collective impairment losses recorded up until 30 June 2022 totalling 41 thousand euros and analytical impairment losses carried out in 2019 on an impaired guarantee for 13 thousand euros.
Collective value recoveries on commitments in the first half-year came to 3 thousand euros and collective impairment losses on financial guarantees stood at 2 thousand euros.

Item 4. Other provisions for risks and charges includes the increase in lease assets relating to restoration charges.

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

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

At 30 June 2022, 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 2022, 28,810,640 treasury shares were held exclusively by the Parent Company. 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.

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	58	-
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	58	-
B.3 Other changes	-	-
C. Decreases	58	-
C.1 Derecognition	-	-
C.2 Repurchase of treasury shares	58	-
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	-	-

Purchases and sales for a total number of 58 shares refer to a transaction recorded in June as an offsetting item to the error account.

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 154,421 thousand euros (152,261 thousand euros at 31 December 2021) and is broken down as follows:

- income-related reserves of the Bank:
  120,625 thousand euros consisting of the legal reserve of 12,089 thousand euros, the extraordinary reserve of 87,537 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:
  33,796 thousand euros consisting of the reserve for the realised gain on treasury shares of 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 30.06.2022	Total 31.12.2021
Equity investments in consolidated companies with significant non-controlling interests		
1. InvestiRE SGR S.p.A.	31,666	32,850
Other equity investments	657	722
Total	32,323	33,572

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

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 2022	Total 1st half 2021
1. Financial assets at fair value through profit or loss	33	-	-	33	26
1.1. Financial assets held for trading	33	-	-	33	26
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	285	-	X	285	237
3. Financial assets at amortised cost:	300	3,569	-	3,869	4,876
3.1 Loans and receivables with banks	-	13	X	13	2
3.2 Loans and receivables with customers	300	3,556	X	3,856	4,874
4. Hedging derivatives	X	X	-	-	-
5. Other assets	X	X	1	1	-
6. Financial liabilities	X	X	X	2,078	2,206
Total	618	3,569	1	6,266	7,345
of which: interest income on impaired financial assets	-	315	-	315	394
of which: interest income on financial leases	X	-	X	-	-

1.3 Interest and similar expense: breakdown

Items/Types	Payables	Securities	Other transactions	Total 1st half 2022	Total 1st half 2021
1. Financial liabilities at amortised cost	(692)	-	-	(692)	(775)
1.1 Due to Central Banks	-	X	X	-	-
1.2 Due to banks	(5)	X	X	(5)	-
1.3 Due to customers	(687)	X	X	(687)	(775)
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	(1,615)	(781)
Total	(692)	-	-	(2,307)	(1,556)
of which: interest expense related to lease payables	(51)	X	X	(51)	(68)

Net Interest income, almost exclusively pertaining to the Bank, totalled 3,959 thousand euros compared to 5,789 thousand euros in the same period of 2021. The decrease compared to the first half of 2021 is mainly due to the lower contribution from repurchase agreements on the proprietary portfolio of the Bank.

Section 2 - Fees and commissions - Items 40 and 50

Starting from the previous year, the information on the breakdown of commission income and expense has been amended as required by the 7th update of Bank of Italy Circular no. 262/2005. Therefore, the breakdown of commission income and expense for the half-year under review was reclassified.

2.1 Fee and commission income: breakdown

Type of service/Amounts	Total 1st half 2022	Total 1st half 2021
a) Financial instruments	9,839	8,655
1. Placement of securities	2,118	2,304
1.1. With underwriting and/or on the basis of an irrevocable commitment	-	-
1.2 Without irrevocable commitment	2,118	2,304
2. Reception and transmission of orders and trading on behalf of customers	3,345	2,200
2.1 Reception and transmission of orders for one or more financial instruments	23	31
2.2. Trading on behalf of customers	3,322	2,169
3. Other commissions associated with activities related to financial instruments	4,376	4,151
of which: trading on own account	-	-
of which: individual portfolio management	3,826	3,470
b) Corporate Finance	524	589
1. Mergers and acquisitions consultancy	6	5
2. Treasury services	-	-
3. Other commissions associated with corporate finance services	518	584
c) Investment advisory activities	863	713
d) Clearing and settlement	43	25
e) Management of collective portfolios	14,812	13,777
f) Custody and administration	420	283
1. Depositary bank	-	-
2. Other fees related to custody and administration	420	283
g) Central administrative services for collective portfolio management	-	-
h) Trusteeship	754	743
i) Payment services	484	393
1. Current accounts	271	236
2. Credit Cards	126	88
3. Debit and other payment cards	15	13
4. Wire transfers and other payment orders	68	53
5. Other fees related to payment services	4	3
j) Distribution of third-party services	1,269	1,060
1. Collective portfolio management	77	77
2. Insurance products	1,192	983
3. Other products	-	-
of which: individual portfolio management	-	-
k) Structured finance	-	80
l) Servicing related to securitisations	-	-
m) Commitments to disburse funds	358	321
n) Financial guarantees given	108	102
of which: credit derivatives	-	-
o) Financing operations	90	89
of which: factoring services	-	-
p) Currency dealing	-	-
q) Goods	-	-
r) Fee and commission income	148	129
of which: for the management of multilateral trading systems	-	-
of which: for the management of organised trading systems	-	-
Total	29,712	26,959

2.2 Fee and commission expense: breakdown

Type of service/amounts	Total 1st half 2022	Total 1st half 2021
a) Financial instruments	(567)	(426)
of which: trading in financial instruments	(512)	(369)
of which: placement of financial instruments	(16)	(14)
of which: individual portfolio management	(37)	(22)
- Own	(37)	(22)
- Delegated to third parties	-	-
b) Clearing and settlement	(44)	-
c) Management of collective portfolios	-	-
1. Own	-	-
2. Delegated to third parties	-	-
d) Custody and administration	(250)	(173)
e) Collection and payment services	(154)	(107)
of which: credit cards, debit cards and other payment cards	(115)	(76)
f) Servicing related to securitisations	-	-
g) Commitments to receive funds	-	-
h) Financial guarantees received	-	-
of which: credit derivatives	-	-
i) Off-premises sale of financial instruments, products and services	-	-
j) Currency dealing	-	-
k) Fee and commission expense	(371)	(429)
Total	(1,386)	(1,135)

Net fee and commission income amounted to 28,326 thousand euros compared to 25,824 thousand euros in the first half of 2021. The increase of 2,502 thousand euros refers for 1,478 thousand euros to the Bank (mainly attributable to the increase in net trading commissions generated by large customer operations), for 1,056 thousand euros to the subsidiary InvestiRE SGR S.p.A. and for the difference to other Group companies.

Section 3 - Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Items/Income	Total 1st half 2022		Total 1st half 2021	
	Dividends	Similar income	Dividends	Similar income
A. Financial assets held for trading	15	1	6	-
B. Other financial assets mandatorily measured at fair value	-	-	-	505
C. Financial assets at fair value through other comprehensive income	538	-	211	-
D. Equity investments	-	-	-	-
Total	553	1	217	505

The item showed a balance of 554 thousand euros (722 thousand euros in the first half of 2021).

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	60	339	(953)	(96)	(650)
1.1. Debt securities	-	2	(37)	(3)	(38)
1.2 Equity instruments	58	332	(109)	(92)	189
1.3 UCI units	2	5	(807)	(1)	(801)
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	467
4. Derivatives	10	1,299	(7)	(1,305)	(95)
4.1. Financial derivatives:	10	1,299	(7)	(1,143)	67
- on debt securities and interest rates	-	-	-	-	-
- on equity instruments and share indices	10	1,299	(7)	(1,143)	159
- on currencies and gold	X	X	X	X	(92)
- other	-	-	-	-	-
4.2 Credit derivatives	-	-	-	(162)	(162)
of which: natural hedges related to the fair value option	X	X	X	X	-
Total	70	1,638	(960)	(1,401)	(278)

Net trading expense, almost exclusively pertaining to the Bank, featured a negative balance of 278 thousand euros compared to a positive balance of 1,181 thousand euros in the same period of 2021, and breaks down as follows:

- a negative difference between unrealised capital gains and losses, in connection with the fair value measurement of the trading portfolio of 890 thousand euros (in the first half of 2021 there was a positive balance of 610 thousand euros);
- a positive balance between realised profits and losses related to trading on securities and derivatives of 237 thousand euros (in the first half of 2021, a positive balance of 193 thousand euros);
- a negative difference of 92 thousand euros between unrealised capital gains and losses in connection with the fair value measurement of currency forwards (in the first half of 2021, a negative balance of 14 thousand euros);
- a positive balance of 467 thousand euros between realised foreign exchange gains and losses (in the first half of 2021 a positive balance of 392 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 2022			Total 1st half 2021		
	Profit	Losses	Net income	Profit	Losses	Net income
A. Financial assets						
1. Financial assets at amortised cost	5	-	5	61	-	61
1.1 Loans and receivables with banks	-	-	-	-	-	-
1.2 Loans and receivables with customers	5	-	5	61	-	61
2. Financial assets at fair value through other comprehensive income	840	(19)	821	19	(36)	(17)
2.1. Debt securities	840	(19)	821	19	(36)	(17)
2.2 Loans	-	-	-	-	-	-
Total assets (A)	845	(19)	826	80	(36)	44
B. Financial liabilities at amortised cost						
1. Due to banks	-	-	-	-	-	-
2. Due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities (B)	-	-	-	-	-	-

The item referring to the first half of 2022 exclusively concerns net income deriving from the sale of debt securities owned by the Bank.

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	309	-	(749)	-	(440)
1.1. Debt securities	-	-	(138)	-	(138)
1.2 Equity instruments	-	-	-	-	-
1.3 UCI units	309	-	(611)	-	(302)
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currencies: exchange rate differences	X	X	X	X	-
Total	309	-	(749)	-	(440)

Item 1.1 Debt securities, exclusively pertaining to the Bank, concerns Losses (C) on subordinated ITAS 12/31 bonds.
Item 1.3 UCI units Capital gains (A) refer to the Immobilium Fund and PRS Italy Fund owned by InvestiRe SGR S.p.A for 97 thousand euros and 212 thousand euros, respectively; Capital losses (C) refer exclusively to the Bank and relates to the FIP Fund for 201 thousand euros, the Apple Fund for 69 thousand euros, the BIM Thema Fund for 125 thousand euros and the New Millennium Funds for 216 thousand euros.
At 30 June 2021, the item had a negative balance of 329 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 2022	Total 1st half 2021
	Stage 1	Stage 2	Stage 3		*Purchased or originated impaired*		Stage 1	Stage 2	Stage 3	*Purchased or originated impaired*		
			Write-offs	Other	*Write-offs*	Other						
A. Loans and receivables with banks	(18)	-	-	-	-	-	10	-	-	-	(8)	12
- Loans	(18)	-	-	-	-	-	10	-	-	-	(8)	12
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Loans and receivables with customers	(133)	(132)	(3,864)	(2,646)	-	-	206	3	3,918	-	(2,648)	(113)
- Loans	(88)	(132)	(3,864)	(2,646)	-	-	206	3	3,918	-	(2,603)	(86)
- Debt securities	(45)	-	-	-	-	-	-	-	-	-	(45)	(27)
Total	(151)	(132)	(3,864)	(2,646)	-	-	216	3	3,918	-	(2,656)	(101)

Please refer to the comments provided in the asset items Cash and cash equivalents, 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 1.1, 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 2022	Total 1st half 2021
	Stage 1	Stage 2	Stage 3		*Purchased or originated impaired*		Stage 1	Stage 2	Stage 3	*Purchased or originated impaired*		
			Write-offs	Other	*Write-offs*	Other						
A. Debt securities	(60)	(247)	-	-	-	-	-	-	-	-	(307)	6
B. Loans	-	-	-	-	-	-	-	-	-	-	-	-
- to customers	-	-	-	-	-	-	-	-	-	-	-	-
- to banks	-	-	-	-	-	-	-	-	-	-	-	-
Total	(60)	(247)	-	-	-	-	-	-	-	-	(307)	6

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

The item, exclusively pertaining to the Bank, had a balance equal to zero at 30 June 2022 (it presented a negative balance of 160 thousand euros at 30 June 2021).

Section 12 - Administrative expenses - Item 190

12.1 Personnel expenses: breakdown

Type expenses/Amounts	Total 1st half 2022	Total 1st half 2021
1) Employees	(17,712)	(17,808)
a) wages and salaries	(12,876)	(12,894)
b) social security charges	(3,446)	(3,606)
c) post-employment benefits	(311)	(308)
d) social security charges	-	-
e) provisions for post-employment benefits	(322)	(252)
f) provisions for retirement funds and similar obligations:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external pension funds:	(198)	(201)
- defined contribution plans	(198)	(201)
- defined benefit plans	-	-
h) costs from share-based payment agreements	-	-
i) other benefits to employees	(559)	(547)
2) Other non-retired personnel	(378)	(384)
3) Directors and Statutory Auditors	(894)	(818)
4) Retired personnel	-	-
Total	(18,984)	(19,010)

Personnel expenses decreased by 26 thousand euros compared to the first half of 2021.

Item 1) e) does not include the actuarial loss referring to IAS provisions for post-employment benefits of 397 thousand euros (actuarial gain of 156 thousand euros in the first half of 2021), recognised - net of the tax effect - among Valuation reserves.

12.5 Other administrative expenses: breakdown

Type expenses/Amounts	Total 1st half 2022	Total 1st half 2021
Rents and condominium fees	(209)	(199)
Membership fees	(113)	(110)
EDP expenses	(31)	(43)
Stationery and printing supplies	(25)	(19)
Consultancy and professional services	(1,249)	(935)
Outsourced services	(1,496)	(1,396)
Independent Auditors fees	(140)	(125)
Maintenance	(547)	(560)
Utilities and connections	(1,010)	(883)
Postal, transport and shipment fees	(25)	(22)
Insurance	(158)	(141)
Advertising, publications and sponsorships	(80)	(154)
Office cleaning	(195)	(184)
Books, newspapers and magazines	(60)	(48)
Entertainment expenses	(147)	(64)
Travel expenses and mileage-based reimbursements	(137)	(71)
Other taxes and duties	(2,729)	(2,667)
Security charges	(128)	(124)
Contributions to Resolution Funds and deposit guarantee schemes	(819)	(1,176)
Other	(489)	(433)
Total	(9,787)	(9,354)

Other administrative expenses increase by 433 thousand euros compared to the previous year and include recoveries from customers of some costs allocated under Other operating income, net. Net of those recoveries, other administrative expenses amounted to 7,071 thousand euros and increased by 296 thousand euros compared to the previous year (6,775 thousand euros).

The item Contributions to Resolution Funds and deposit guarantee schemes include contributions paid by the Bank to the Single Resolution Fund for 815 thousand euros.

As required by IFRS 16, lease payments relating to other administrative expenses are recognised under the item amortisation charges of the right of use of 1,398 thousand euros (1,378 thousand euros in the first half of 2021).

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 2022	Total 1st half 2021
Commitments to disburse funds	4	(3)	1	76
Financial guarantees given	-	-	-	54
Total	4	(3)	1	130

The item pertains exclusively to the Bank.

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

	Total 1st half 2022	Total 1st half 2021
Allocations	-	-
Utilisation	67	-
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	(1,708)	-	-	(1,708)
- owned	(170)	-	-	(170)
- rights of use acquired through leases	(1,538)	-	-	(1,538)
2. Investment property	-	-	-	-
- owned	-	-	-	-
- rights of use acquired through leases	-	-	-	-
3. inventory	X	-	-	-
Total	(1,708)	-	-	(1,708)

The item Rights of use acquired through leases refers to depreciation relating to employee benefits of 140 thousand euros and other administrative expenses of 1,398 thousand euros.
In the 1st half of 2021, depreciation stood at 1,699 thousand euros (of which 1,517 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	Amortisation (a)	Impairment losses (b)	Reversals (c)	Net income (a+b-c)
A. Intangible assets				
of which software	(44)	-	-	(44)
1. owned	(65)	-	-	(65)
- internally generated by the company	-	-	-	-
- other	(65)	-	-	(65)
2. rights of use acquired through leases	-	-	-	-
Total	(65)	-	-	(65)

In the 1st half of 2021, amortisation stood at 91 thousand euros.

Section 16 - Other operating income, net – Item 230

16.1 Other operating expense: breakdown

	Total 1st half 2022	Total 1st half 2021
Amounts reimbursed to customers	(1)	(150)
Amortisation for improvements to third party assets	(35)	(34)
Other expenses	(495)	(684)
Total	(531)	(868)

16.2 Other operating income: breakdown

	Total 1st half 2022	Total 1st half 2021
Rental income	93	77
Recovery of stamp duty	2,380	2,304
Recovery of substitute tax	17	55
Recovery of other expenses	458	329
Dividend waiver and lapse of entitlement	295	295
Other income	1,935	336
Total	5,178	3,396

Section 16 "Other operating income, net" showed a positive balance of 4,647 thousand euros compared to 2,528 thousand euros in the 1st half of 2021.
This item includes the net amount of 1,400 thousand euros attributable to the impact at the consolidated level of the partial restitution to Investire SGR S.p.A. of withholdings following the out-of-court settlement of the dispute with a foreign shareholder. (See the comment to the similar item in the 2014 financial statements).

Income comprises recoveries of costs from customers, amounting to 2,855 thousand euros, of which 2,716 thousand euros referring to other administrative expenses (2,688 thousand euros in the first six months of 2021, of which 2,579 thousand euros referring to other administrative expenses).

Section 17 – Net loss on equity investments - Item 250

17.1 Net loss on equity investments: breakdown

Income items/Amounts	Total 1st half 2022	Total 1st half 2021
1) Jointly-controlled companies		
A. Income	-	374
1. Revaluations	-	374
2. Gains from disposals	-	-
3. Reversals	-	-
4. Other income	-	-
B. Expenses	(210)	-
1. Write-downs	(122)	-
2. Impairment losses	(88)	-
3. Losses from disposal	-	-
4. Other expenses	-	-
Net income	(210)	374
2) Companies subject to significant influence		
A. Income	-	34
1. Revaluations	-	-
2. Gains from disposals	-	-
3. Reversals	-	34
4. Other income	-	-
B. Expenses	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses from disposal	-	-
4. Other expenses	-	-
Net income	-	34
Total	(210)	408

Among jointly controlled companies, item B.1 Write-downs includes the loss for the period, pertaining to the Group, of REDO SGR S.p.A. (Joint Venture of InvestiRE SGR S.p.A.) and item B.2 Impairment losses includes the loss on the equity investment Aldia S.r.l.

Section 21 - Income taxes – Item 300

21.1 Income taxes: breakdown

Income items/Amounts		Total 1st half 2022	Total 1st half 2021
1.	Current taxes (-)	80	(1,321)
2.	Changes in current taxes compared with previous years (+/-)	1	(13)
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 (+/-)	(473)	(439)
5.	Change in deferred tax liabilities (+/-)	144	(7)
6.	Income taxes for the period (-) (-1+/-2+3+3bis+/-4+/-5)	(248)	(1,780)

Taxes refer to InvestiRE SGR S.p.A. for 542 thousand euros, to other group companies for 59 thousand euros, while the Bank recorded income from tax consolidation of 353 thousand euros.
InvestiRE SGR S.p.A.'s taxes take into account the lower charge of 250 thousand euros related to the substitute tax following the rescheduling of goodwill redemption (from 18 years to 50 years).

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 2022	Total 1st half 2021
Equity investments in consolidated companies with significant non-controlling interests		
1. InvestiRE SGR S.p.A.	1,357	1,271
Other equity investments	62	75
Total	1,419	1,346

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 year (the denominator).
For the purpose of calculating the basic earnings (loss) per share, the weighted average of the ordinary shares outstanding is calculated based on the ordinary shares outstanding at the beginning of the year, adjusted by the amount of ordinary shares purchased or issued or sold during the year multiplied by the number of days that the shares were outstanding, in proportion to the total days in the year. 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.

	30.06.2022	31.12.2021
Profit for the period (in euros)	2,277,929	6,129,516
Weighted average of ordinary shares	334,069,360	334,069,360
Basic earnings (loss) per share	0.006819	0.018348

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

	30.06.2022	31.12.2021
Adjusted profit for the period (in euros)	2,277,929	6,129,516
Weighted average of ordinary shares with diluted capital	334,069,360	334,069,360
Diluted earnings (loss) per share	0.006819	0.018348

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 248,711 thousand euros, of which the equity pertaining to shareholders of the Parent Company amounted to 216,388 thousand euros and non-controlling interests to 32,323 thousand euros.

At 30 June 2022, the Group's valuation reserves (net of taxes) broke down as follows:

	Valuation reserves at 30.06.2022			Valuation reserves at 31.12.2021			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.	-	51	(51)	-	80	(80)	29
Shares of Sit S.p.A.	-	3	(3)	-	-	-	(3)
Shares of Net Insurance S.p.A.	287	-	287	251	-	251	36
Shares of Nexi (formerly Sia S.p.A.)	4,111	-	4,111	8,078	-	8,078	(3,967)
Units of Real Estate Roma Olgiata S.r.l	-	552	(552)	-	443	(443)	(109)
Shares of Fideuram Asset Management SGR S.p.A.	910	-	910	910	-	910	-
Government securities and bonds	506	4,613	(4,107)	1,245	468	777	(4,884)
	5,814	5,219	595	10,484	991	9,493	(8,898)
Other Group companies							
Government securities and bonds of Finnat Fiduciaria S.p.A.	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total A)	5,814	5,219	595	10,484	991	9,493	(8,898)
B) Defined benefit plans	-	787	(787)	-	565	(565)	(222)
C) Share of valuation reserves of equity-accounted investments	-	-	-	-	-	-	-
D) Valuation reserves	1,364	-	1,364	1,364	-	1,364	-
Total (A+B+C+D)	7,178	6,006	1,172	11,848	1,556	10,292	(9,120)

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 banking regulatory ratios

2.1 Scope of application of the regulations

For supervisory purposes, the capital aggregate relevant for this purpose is determined on the basis of the provisions in force laid down by the Bank of Italy and constitutes the reference system for prudential supervisory provisions.

2.2 Own funds

Own funds at 30 June 2022 amounted to 180,560 thousand euros (189,397 thousand euros at 31 December 2021), whereas the Total capital ratio, the CET1 capital ratio and the Tier1 ratio stood at 33.7% (31.1% at 31 December 2021). 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 of the Report on Operations "Market disclosure information". Without this application, Own funds would have been equal to 179,956 thousand euros, while the Total capital ratio, the CET1 capital ratio and the Tier1 ratio would be equal to 33.6%.
These ratios 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)	180,560
2. Additional Tier 1 (AT1)	-
3. Tier 2 (T2)	-

B. Quantitative information

	Total 30.06.2022	Total 31.12.2021
A. Common Equity Tier 1 (CET1) before application of prudential filters	228,957	237,249
of which CET1 instruments subject to transitional provisions	-	-
B. Prudential filters for CET1 (+/-)	(398)	(390)
C. CET1 before elements to be deducted and the effects of the transitional regime (A+/-B)	228,559	236,859
D. Elements to be deducted from CET1	48,603	48,669
E. Transitional regime - Impact on CET1 (+/-)	604	1,207
F. Total Common Equity Tier 1 (CET1) (C - D+/- E)	180,560	189,397
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)	180,560	189,397

2.3 Capital adequacy

A. Qualitative information

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 33.7%.

B. Quantitative information

Categories/Amounts	**Unweighted amounts**		**Weighted amounts/requirements**	
	30.06.2022	**31.12.2021**	**30.06.2022**	**31.12.2021**
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standardised approach	3,300,284	2,677,321	384,382	455,549
2. Internal ratings based approach	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			30,751	36,444
B.2 Credit valuation adjustment risk			12	16
B.3 Settlement risk			-	-
B.4 Market risk			920	1,024
1. Standardised approach			920	1,024
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			11,167	11,167
1. Basic indicator approach			11,167	11,167
2. Standardised approach			-	-
3. Advanced method			-	-
B.6 Other elements of the calculation			-	-
B.7 Total prudential requirements			42,850	48,651
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			535,627	608,146
C.2 Common Equity Tier 1/Risk-weighted assets (CET1 capital ratio)			33.7%	31.1%
C.3 Tier 1/Risk-weighted assets (Tier 1 capital ratio)			33.7%	31.1%
C.4 Total own funds/Risk-weighted assets (Total capital ratio)			33.7%	31.1%

Part H – Related party transactions

The Board of Directors of Banca Finnat S.p.A. adopted, in compliance with the procedures set forth in the regulations, the Regulation for transactions with related parties and for the assumption of risk activities with Related parties.
This Regulation, most recently updated in December 2021, takes into account: both Resolution no. 17221 issued by CONSOB, pursuant to Article 2391-bis of the Italian Civil Code as well as Articles 113-ter, 114, 115 and 154-ter of Italian Legislative Decree no. 58 of 24 February 1998; and the supervisory provisions introduced by the Bank of Italy on 12 December 2011 on risk activities and conflicts of interest of banks and banking groups with respect to "Related Parties", issued in implementation of Article 53, paragraph 4 et seq. of the Consolidated Banking Act, in accordance with resolution no. 277 of the CICR of 29 July 2008 and the rules established by Article 136 of the Consolidated Banking Act.

The Regulation governs the following aspects for the entire Banca Finnat Group:
- the criteria for identifying the Related Parties;
- the preliminary investigation, decision-making and information process to the Corporate bodies for transactions carried out with Related Parties;
- compliance with the prudential limits and periodic reporting requirements to the Bank of Italy relating to the aforementioned transactions;
- the rules concerning organisational controls and safeguards;
- information to the market.

In this context, a special qualified role is played by the Related Party Internal Board Committee, which meets the independence requirements envisaged by the Corporate Governance Code for Listed Companies and Article 148 of the Consolidated Financial Law and the aforementioned CONSOB resolution.

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

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 balances with related parties

The amount of credit and debit balances outstanding at 30 June 2022 in the consolidated accounts with related parties - other than intra-group parties consolidated on a line-by-line basis - was not material compared to the Group's asset size. Likewise, the impact of income and costs with related parties on the consolidated operating result was not material.

STATEMENT OF FINANCIAL POSITION	**Financial receivables (payables)**	**Other receivables (payables)**	**Sureties issued**
ASSOCIATED COMPANIES AND JOINT VENTURES	(1,594)	-	64
MANAGEMENT WITH STRATEGIC RESPONSIBILITIES AND COMPANY REPRESENTATIVES	(5,144)	-	900
OTHER RELATED PARTIES	(543)	423	50

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	4	2

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/revenue 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 2022 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	1,571	2,292	-	11	(40)	125	3,959
Net fee and commission income	10,369	2,643	558	1,133	13,877	(254)	28,326
Dividends	125	71	-	-	-	358	554
Net trading expense	-	(278)	-	-	-	-	(278)
Net gain from disposal or repurchase of:	-	826	-	-	-	-	826
a) financial assets at amortised cost	-	5	-	-	-	-	5
b) financial assets at fair value through other comprehensive income	-	821	-	-	-	-	821
Net losses on other financial assets and liabilities at fair value through profit or loss	-	(548)	-	-	309	(201)	(440)
b) other financial assets mandatorily measured at fair value	-	(548)	-	-	309	(201)	(440)
TOTAL INCOME	**12,065**	**5,006**	**558**	**1,144**	**14,146**	**28**	**32,947**
Operating costs	(7,831)	(2,368)	(604)	(486)	(9,822)	(4,718)	(25,829)
Net impairment losses for credit risk associated with:	(358)	(309)	1	38	(86)	(2,249)	(2,963)
a) financial assets at amortised cost	(358)	(2)	1	38	(86)	(2,249)	(2,656)
b) financial assets at fair value through other comprehensive income	-	(307)	-	-	-	-	(307)
Net modification gains (losses)	-	-	-	-	-	-	-
Net loss on equity investments	-	-	-	-	-	(210)	(210)
PROFIT BEFORE TAXES	**3,876**	**2,329**	**(45)**	**696**	**4,238**	**(7,149)**	**3,945**

(*) 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 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 Statement of Financial Position values at 30 June 2022 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	-	7,914	-	-	4,463	20,502	32,879
a) financial assets held for trading	-	7,914	-	-	-	-	7,914
c) other financial assets mandatorily measured at fair value	-	-	-	-	4,463	20,502	24,965
Financial assets at fair value through other comprehensive income	-	346,372	-	5	1	10,989	357,367
Financial assets at amortised cost	344,488	1,279,162	1,003	2,959	11,347	26,673	1,665,632
a) loans and receivables with banks	-	52,923	-	2,327	6,023	(8,350)	52,923
b) loans and receivables with customers	344,488	1,226,239	1,003	632	5,324	35,023	1,612,709
Equity investments	-	-	-	-	3,620	6,554	10,174
Liabilities							
Financial liabilities at amortised cost	901,744	1,115,382	-	270	6,393	(2,014)	2,021,775
a) due to banks	-	575	-	137	-	-	712
b) due to customers	901,744	1,114,807	-	133	6,393	(2,014)	2,021,063
c) securities issued	-	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	1,260	1,260

(*) 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 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.

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 2022, 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 2022, 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 year-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 2022 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 2022.

3. 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, 9 settembre 2022

Amministratore Delegato	Il Dirigente preposto alla redazione dei documenti contabili societari
(Arturo Nattino)	(Giulio Bastia)

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Via Curtatone, 3
00185 ROMA RM
Telefono +39 06 80961.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Report on review of condensed interim consolidated financial statements

To the shareholders of
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 2022, 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.

KPMG

Banca Finnat Group
Report on review of condensed interim consolidated financial statements
30 June 2022

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 2022 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, 12 September 2022

KPMG S.p.A.

(signed on the original)

Riccardo De Angelis
Director of Audit

BANCA FINNAT EURAMERICA S.p.A.

Headquarters: Piazza del Gesù, 49 - Palazzo Altieri - 00186 Rome
Country: Italy
Main place of business: Rome
Registered office: Piazza del Gesù, 49 - Palazzo Altieri - 00186 Rome

Share capital: Euro 72,576,000 fully paid up
Tax code: 00168220069
VAT number: 00856091004
REA (Economic and Administrative Index) registration: 444286
Legal form: Joint-stock company

Company listed on the official market with shares admitted to trading in the STAR segment
Business Description: Monetary intermediation of monetary institutions other than central banks
Bank adhering to the Interbank Deposit Protection Fund
Included in the register of banks at Bank of Italy at no. 5557
Company name of the controlling entity: Banca Finnat Euramerica S.p.A.
Parent company of the Banca Finnat banking group Included Registered in the Register of banking groups
ABI code 03087

Telephone +39 06 69933.1
Fax +39 06 6784950
Web-site: www.bancafinnat.it
E-mail: banca@finnat.it
Investor Relations: investor.relator@finnat.it

www.bancafinnat.it