FINECOBANK GROUP PUBLIC DISCLOSURE - PILLAR III

AS AT 31 DECEMBER 2020

FINECO. SIMPLIFYING BANKING.

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

Introduction

The FinecoBank Group public disclosure Pillar III – (hereafter “Disclosure”) has been prepared in accordance with the prudential rules for banks and investment companies, which came into force on January 1, 2014 and is contained in Directive 2013/36/EU (Capital Requirements Directive, CRD IV) and in Regulation 575/2013/EU (Capital Requirements Regulation, CRR), subsequently updated by Directive (EU) 2019/878 (so called CRD V), in Regulation (EU) 2019/876 of the European Parliament and of the Council (so-called CRR II), partially already applicable and in Regulation (EU) 2020/873 (so called CRR Quick-fix).

Following the publication in the Official Journal of the European Union on June 7, 2019 of Regulation (EU) 2019/876, which is part of the broader reform package that also includes CRD V (Capital Requirements Directive V), BRRD II (Banking Recovery and Resolution Directive II) and SRMR II (Single Resolution Mechanism Regulation II), significant changes have been envisaged with particular reference to Part eight of the CRR. Consistent with the regulatory changes introduced by CRR II, in order to rationalize and homogenize the disclosures to be provided periodically to the market, the EBA, responding to the mandate given to it by Article 434 bis "Disclosure templates" of CRR II, in June 2020 published the implementing technical standards (EBA/ITS/2020/04), intended for all institutions subject to the disclosure requirements of Part eight of CRR, applicable from June 2021.

The Directive and the Regulation transpose into European Union legislation the framework known as Basel III, defined by the Basel Committee on Banking Supervision in order to strengthen banks' ability to absorb shocks arising from financial and economic tensions, regardless of their origin, to improve risk management and governance of banks, as well as to strengthen their transparency and disclosure. The new EU rules were collated and implemented by the Bank of Italy through the “Supervisory Regulations for Banks” (Circular 285 of December 17, 2013 and subsequent update).

The CRR requires Institutions to publish the information set out in Title I Part Eight in conjunction with the financial statements. This public disclosure obligation aims to integrate the minimum capital requirements (Pillar 1) and the prudential control process (Pillar 2), through the identification of a set of disclosure transparency requirements that allow market participants to have relevant, complete and reliable information about capital adequacy, risk exposure and the general characteristics of the systems responsible for identifying, measuring and managing these risks.

In addition to the European Union regulations, there are also the provisions issued by the Bank of Italy, in particular with Circular no. 285 "Supervisory provisions for banks" of December 17, 2013 (and subsequent updates), which in Chapter 13 of Part Two (public disclosure) governs the matter. The aforementioned circular does not lay down specific rules for the preparation and publication of Pillar III, but refers to the provisions for this purpose provided for by EU Regulation no. 575/2013 (Capital Requirements Regulation, so-called CRR), the Regulations of the European Commission whose preparation may be delegated to the EBA (European Banking Authority) and the EBA Guidelines.

The subject is therefore regulated:

- by the CRR, Part 8 “Disclosure by institutions” (art. 431–455);
- by regulations of the European Commission, the preparation of which may be delegated to the EBA, containing the regulatory or implementing technical standards to govern the uniform models for publishing the various types of information. In particular, reference is made to the following guidelines and regulations:
    - guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2016/11, version 2);
    - guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013 (EBA/GL/2014/14);
    - Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council;
    - Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 of the European Parliament and of the Council;
    - Commission Delegated Regulation (EU) 2015/1555 of 28 May 2015 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer in accordance with Article 440 (EBA/RTS/2014/17 transposed by the Commission Delegated Regulation EU 2015/1555);
    - Commission Delegated Regulation (EU) 2017/2295 of 4 September 2017 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets (EBA/GL/2014/03 and EBA RTS/2017/03 transposed by the Commission Delegated Regulation EU 2017/2295);
    - guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013 (EBA/GL/2017/01);
    - guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds (EBA/GL/2018/01);
    - guidelines on disclosure of non-performing and forborne (EBA/GL/2018/10);
    - guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07);
    - guidelines on supervisory reporting and disclosure requirements in compliance with the CRR ‘quick fix’ in response to the COVID-19 pandemic (EBA/GL/2020/11);

- Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic (EBA/GL/2020/12).

Finally, this Disclosure takes into account the indications contained in the document "Enhancing the risk disclosures of banks" prepared by the international Enhanced Disclosure Task Force - EDTF established under the auspices of the Financial Stability Board (FSB) and published in 2012. This document contains a number of recommendations aimed at enhancing banks' disclosure transparency on risk profiles for which investors have highlighted the need for clearer and more complete information.

In 2020 the European Central Bank adopted a series of measures to ensure that directly supervised credit institutions could continue to perform their role of financing the real economy in light of the economic effects of COVID-19, measures which, where envisaged, were also adopted by the Bank of Italy with reference to less significant credit institutions. To this end, the European Central Bank and, accepting the latter's invitation, the Bank of Italy granted credit institutions the possibility of temporarily operating below the level of the target component assigned as a result of the SREP process, but, at the same time, recommended to consider not distributing any dividends for the years 2019, 2020 and, finally, interim dividends from 2021 profits and to refrain from repurchasing treasury shares aimed at remunerating shareholders, in order to increase loss absorption capacity and support the lending to households, small businesses and corporate companies. In this regard, it is recalled:

- the Press Release of March 20, 2020 with which the Bank of Italy, in line with the initiatives taken by the European Central Bank with reference to significant banks, granted intermediaries the possibility of temporarily operating below the level of the target component assigned as a result of the SREP process (Pillar 2 Guidance - P2G), the Capital Conservation Buffer (CCB) and the Liquidity Coverage Ratio (LCR);
- Recommendation ECB/2020/19 of March 27, 2020 with which the European Central Bank and, accepting the latter's invitation, the Bank of Italy have recommended banks not to proceed with the payment of dividends for the years 2019 and 2020 at least until October 1, 2020 and to refrain from the repurchase of own shares aimed at remunerating shareholders, in order to increase loss absorption capacity and support the lending to households, small businesses and corporate companies;
- Recommendation ECB/2020/35 of the European Central Bank of July 27, 2020 (repealing Recommendation ECB/2020/19 of March 27, 2020) whereby the European Central Bank renewed its recommendation not to proceed with the payment of dividends relating to the 2019 and 2020 financial years, including reserve distributions, not to make any irrevocable commitment for the payment of dividends relating to the same financial years and not to proceed with the repurchase of shares aimed at remunerating shareholders until January 1, 2021. On July 28, 2020, the Bank of Italy also renewed its recommendation in line with that provided by the European Central Bank for significant banks, continuing to encourage banks and non-banking intermediaries under its supervision to use the target component assigned as a result of the SREP process (Pillar 2 Guidance - P2G), the Capital Conservation Buffer (CCB) and the Liquidity Coverage Ratio (LCR) to absorb losses in an orderly manner and to encourage lending to households and businesses, in line with that communicated by the European Central Bank;
- Recommendation ECB/2020/62 of the European Central Bank of 15 December 2020 (repealing Recommendation ECB/2020/35 of 27 July 2020) concerning the policies on dividend distributions and share buybacks that credit institutions and significant supervised groups should adopt in the economic context burdened by the COVID-19 emergency, in which the importance of continuing to adopt a prudent attitude with reference to dividend distribution transactions or share buybacks in order to remunerate shareholders is stressed, which was followed by the Press Release of December 16, 2020 by the Bank of Italy, in which it expressed its decision to maintain an extremely prudent approach, in line with the approach adopted by the European Central Bank for significant banks, in order to safeguard the banks' ability to absorb losses and grant loans to support the economy. In particular, the Bank of Italy has recommended that less significant Italian banks, until September 30, 2021:
  - to refrain from recognizing or paying dividends or limit the amount of such dividends to no more than 15% of 2019-20 cumulative earnings or 20 basis points of the CET1 ratio (whichever is less);
  - to refrain from recognizing or paying interim dividends out of 2021 earnings;
  - to exercise extreme caution in the recognition of variable compensation.

  In the absence of a substantial worsening of the macroeconomic scenario, from 30 September 2021 the Bank of Italy, in line with the indications of the European Central Bank, will return to assessing dividend distribution and remuneration policies on the basis of the results of the ordinary process of prudential review and assessment of individual intermediaries.

Taking into account the Recommendations of the European Central Bank and the Bank of Italy issued on March 27, 2020, relating to dividend policy in the context resulting from the Covid-19 pandemic, the Board of Directors of FinecoBank met on April 6, 2020 and, in full compliance with the reference regulations, the indications of the Supervisory Authorities and the best established practice on the subject, decided to revoke the proposal to distribute a dividend per share of 0.32 euros for a total amount of 195,052,000, on the agenda of the Ordinary Shareholders' Meeting called for April 28, 2020, resolving to propose to the same Meeting the allocation to reserves of the entire 2019 profit. The proposal was approved by the Shareholders' Meeting of April 28, 2020.

Also with regard to 2020 profits, FinecoBank complied with the European Central Bank's Recommendation of 15 December 2020 and the content of the Bank of Italy's Press Release of 16 December 2020, proposing to the Shareholders' Meeting to allocate the entire profit for the year 2020 to reserves.

Within the contingency scenario outlined above, on June 26, 2020, Regulation (EU) 2020/873 (so-called. "Quick-fix" CRR) of the EU Parliament and the Council was published, amending Regulation (EU) 575/2013 ("CRR") and Regulation (EU) 876/2019 ("CRR II"), which made a number of adjustments to the prudential framework in light of the Covid-19 health emergency, allowing credit institutions to apply specific transitional provisions and anticipating the application of certain measures under CRR II, with the aim of providing capital support to enable credit institutions to continue to support the real economy in the context of the Covid-19 pandemic. The main measures include:

- the introduction of a transitional period, from January 1, 2020 to December 31, 2022, during which institutions may exclude from the calculation of their CET1 capital the amount of unrealized gains and losses accumulated starting from December 31, 2019 on debt instruments measured at fair value recognized in other comprehensive income corresponding to exposures to central government regional governments or local authorities as defined in Article 115(2) of the CRR, and to public sector entities as defined in Article 116(4) of the CRR, excluding impaired financial assets ("Temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income in light of the COVID-19 pandemic"). As of December 31, 2020, the Group did not make use of the option to apply the temporary treatment;
- the extension until December 31, 2024 of the transitional regime that allows to reduce the potential impact on CET1 deriving from the increase in provisions for expected losses on receivables calculated according to the IFRS 9 impairment model, through the gradual inclusion in CET1 ("Temporary treatment to mitigate the impact of the introduction of IFRS 9 on own funds"). It is envisaged that banks that had previously decided to make use or not to make use of the transitional provisions can revoke their decision at any time during the new transitional period. As of December 31, 2020, the Group did not make use of the option to apply the temporary treatment;
- the anticipation by one year of the more favorable prudential treatment of certain loans backed by pensions or salaries, for exposures to SMEs and for exposures to entities that operate or finance physical structures or facilities, systems and networks that provide or support essential public services. These provisions have not had any impact on the Group's capital requirements;
- the reintroduction until December 31, 2024 of the transitional treatment provided for public debt issued in the currency of another member state, which allows for the application of a more favorable risk weight, which increases progressively until the end of the transitional period, for exposures to central governments and central banks of member states denominated in the national currency of another member state ("Temporary treatment of public debt issued in the currency of another member state"). This treatment allowed the Group to benefit from a not significant reduction in risk-weighted assets;
- the possibility to temporarily exclude, until 27 June 2021, certain central bank exposures from the leverage ratio total exposure in light of the COVID-19 pandemic, subject to a public declaration by the relevant competent authority of the existence of exceptional circumstances justifying the exclusion in order to facilitate the implementation of monetary policies. On 10 November 2020, the Bank of Italy publicly declared the existence of exceptional circumstances justifying the exclusion, until 27 June 2021, of the central bank exposures referred to in points (a) and (b) of Article 500b(1) CRR from the measure of overall exposure for the calculation of the leverage ratio in order to facilitate the implementation of monetary policies ("Temporary exclusion of certain central bank exposures from the measure of overall exposure in light of the C-19 pandemic"). As of December 31, 2020, the Group did not use the option to apply the temporary treatment;
- amendment of the discipline of calendar provisioning in order to align the treatment of impaired exposures backed by government guarantees or counter-guarantees granted by individual national governments with that reserved for impaired exposures guaranteed or insured by official export credit agencies, so that for the first seven years there is no minimum level of provisioning on the guaranteed part;
- the anticipation of the partial deduction from CET1 of intangible assets represented by software. On October 14, 2020, the final draft of regulatory technical standards (RTS) specifying the prudential treatment of assets in the form of software was published, which entered into force as of December 22, 2020 with the publication of EU Delegated Regulation 2020/2176 in the European Official Journal. This provision resulted in a positive impact on the Group's CET1 ratio of approximately 18 basis points due to the lower deduction from CET1 Capital for the amount of intangible assets represented by software, excluding advances paid for software in progress. The intangible assets not deducted from CET 1 capital have been included in the RWA for credit risk with a risk weight of 100%.

In the context of the COVID-19 pandemic, in order to mitigate any negative effects of the current crisis and ensure disclosure in respect of the areas affected by the measures adopted to this end, on 2 June 2020 the EBA published the final version of the document "Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis" (EBA/GL/2020/07), containing the reporting and disclosure guidelines relating to exposures subject to measures applied in response to the COVID-19 crisis. These guidelines require information to be provided on:

- loans subject to "moratoria" that fall within the scope of the EBA Guidelines on legislative and non-legislative moratoria on loan payments applied in light of the COVID-19 crisis (EBA/GL/2020/02[1]);
- loans subject to forbearance measures applied in response to the COVID-19 crisis;
- new loans guaranteed by the State or other public entity in response to the COVID-19 crisis.

With regard to the public disclosure requirements related to the provisions contained in Regulation 873/2020, the Bank of Italy, with a communication dated 8 September 2020, implemented the EBA Guidelines providing clarifications and guidance on the compilation of the supervisory reporting formats and public disclosures (EBA Guidelines 2020/11 and 2020/12), which are therefore also applicable to less significant banks and banking groups in Italy. The EBA Guidelines 2020/12 amend EBA/GL/2018/01 to take account of the impact on capital of the changes regarding the temporary treatment of unrealised gains and losses measured at fair value recognised in other comprehensive income and the extension of the IFRS9 transitional provisions. The main changes concern:

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[1] These Guidelines were amended by the subsequent EBA/GL/2020/15 by which the EBA reactivated the guidelines on legislative and other moratoria and not until March 31, 2021, previously applicable initially until June 30 and then until September 30, 2020.

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i) the extension of the disclosure period due to the extension of the transitional arrangements for IFRS 9 and the introduction of additional qualitative disclosure requirements aimed at covering decisions taken as part of the discretions provided for in article 473 bis CRR, as amended by the CRR Quick-fix;

ii) the introduction of new disclosure requirements relating to the transitional prudential treatment provided for unrealized gains and losses on exposures to central governments, regional governments or local authorities referred to in article 115, paragraph 2 of the CRR, and to public sector entities referred to in article 116, paragraph 4 of the CRR, excluding impaired financial assets measured at fair value with an impact on comprehensive income.

With reference to the transitional provisions introduced by the CRR Quick-fix described above, it should be noted that, as at December 31, 2020, the Group has not made use of the option to apply the following provisions:

- temporary treatment of unrealized gains and losses measured at fair value recognized in other comprehensive income in light of the COVID-19 pandemic;
- temporary treatment aimed at mitigating the impact of the introduction of IFRS 9 on Own Funds;
- temporary exclusion of certain central bank exposures from the measure of overall exposure in light of the COVID-19 pandemic.

Therefore, the own funds, capital and leverage ratio already reflect the full impact of the above components and, consequently, the disclosure requirements specified in EBA Guidelines 2020/11 and 2020/12 do not apply.

This document has been prepared in accordance with the indications of the EBA guidelines in compliance with the proportionality principle and publishing only information that is material and not exclusive or confidential in accordance with Article 432 of the CRR.

In line with art. 433 of the CRR, FinecoBank S.p.A., Parent Company of the FinecoBank Banking Group (hereinafter the "Group"), publishes its Disclosure to the public at consolidated level, together with the Financial Statements.

Any discrepancies between data disclosed in this document are due to the effect of rounding. All amounts, unless otherwise specified, are expressed in thousands of euros.

Please note that the disclosure of the Group is prepared in accordance with a formal policy (Internal Regulation) adopted in the application of the CRR Article 431 (3) that sets out the internal controls and procedures.

The key elements of this policy are:

- identification of roles and responsibilities of the corporate bodies, departments and Legal Entities involved in the process of producing the disclosure;
- identification of the information to be published (in accordance with EBA GL/2014/14 and EBA GL 2016/11 and CRR Article 432 and 433 and with the subsequent Regulation (EU) 2019/876 in relation with the requirements applicable as of 31 December 2020);
- approval by the Board of Directors;
- publication on the FinecoBank website.

Finally, for the publication of qualitative and quantitative information, FinecoBank has adopted, firstly, the models provided by the EU Regulations or by the applicable EBA Guidelines mentioned above, secondly, the models contained in the EBA Guidelines "GL/2016/11" and, lastly, the free models. In this regard, in coherence with the EBA “GL/2014/14” and the subsequent amendments introduced in EBA “GL/2016/11”, the tables below report references to the location, in this document, of the information required.

Introduction

Cross reference to EBA requirements: EBA/GL/2016/11[2]

TABLE	QUALITATIVE INFORMATION	QUANTITATIVE INFORMATION	CHAPTER
EBA Guidelines 2016/11			
EU OVA	Institution risk management approach		Risk management objectives and policies
EU OV1		Overview of RWAs	Capital requirements
EU CRA	General qualitative information about credit risk		Risk management objectives and policies
EU CRB-A	Additional disclosure related to the credit quality of assets		Credit risk: credit risk adjustments
EU CRB-B		Total and average net amount of exposures	Credit risk: credit risk adjustments
EU CRB-C		Geographical breakdown of exposures	Credit risk: credit risk adjustments
EU CRB-D		Concentration of exposures by industry or counterparty types	Credit risk: credit risk adjustments
EU CRB-E		Maturity of exposures	Credit risk: credit risk adjustments
EU CR1-A		Credit quality of exposures by exposure class and instrument	Credit risk: credit risk adjustments
EU CR2-A		Changes in the stock of general and specific credit risk adjustments	Credit risk: credit risk adjustments
EU CR2-B		Changes in the stock of defaulted and impaired loans and debt securities	Credit risk: credit risk adjustments
EU CRD	Qualitative disclosure requirements on institutions' use of external credit ratings under the stardardised approach for credit risk		Credit risk: use of ECAIs
EU CRC	Qualitative disclosure requirements related to CRM techniques		Credit risk:use of risk mitigation techniques
EU CR3		CRM techniques - Overview	Credit risk:use of risk mitigation techniques
EU CR4		Standardised approach - Credit risk exposures and CRM effects	Credit risk:use of risk mitigation techniques
EU CR5		Standardised approach	Credit risk:use of risk mitigation techniques
EU CCRA	Qualitative disclosure requirements related to CCR		Counterparty risk
EU CCR1		Analysis of CCR exposures by approach	Counterparty risk
EU CCR2		CVA capital charge	Counterparty risk
EU CCR3		Standardised approach - CCR exposures by regulatory portfolio and risk	Counterparty risk
EU CCR8		Exposures to CCPs	Counterparty risk
EU CCR5-A		Impact of netting and collateral held on exposure values	Counterparty risk
EU CCR5-B		Composition of collateral for exposures to CCR	Counterparty risk
EU MRA	Qualitative disclosure requirements related to market risk		Risk management objectives and policies

[2] The templates of the EBA Guidelines 2016/11 replaced by the EBA Guidelines 2018/10 are not exposed in the table.

Cross reference to EBA requirements: EBA/GL/2014/03 and EBA RTS/2017/03 transposed by Delegated Regulation of the European Commission (EU) 2017/2295; EBA/GL/2017/01; EBA/GL/2018/10; EBA/RTS/2014/17 transposed by Delegated Regulation 2015/1555; EBA/GL/2020/07; EBA/GL/2020/11; EBA/GL/2020/12.

TABLE	QUALITATIVE INFORMATION	QUANTITATIVE INFORMATION	CHAPTER
EBA Guidelines 2014/03 (Delegated Regulation 2017/2295)			
Template A		Encumbered and unencumbered assets	Encumbered and unencumbered assets
Template B		Collateral received	Encumbered and unencumbered assets
Template C		Sources of encumbrance	Encumbered and unencumbered assets
Template D	Accompanying narrative information		Encumbered and unencumbered assets
EBA Guidelines 2017/01			
Tabella EU LIQA	Information of liquidity risk		Liquidity risk
Template EU LIQ1	Qualitative information on LCR, which complements the "LCR disclosure template"	LCR disclosure template	Liquidity risk
EBA Guidelines 2018/10			
Template 1		Credit quality of forborne exposures	Credit risk: credit risk adjustments
Template 3		Credit quality of performing and non-performing exposures by past due days	Credit risk: credit risk adjustments
Template 4		Performing and non-performing exposures and related provisions	Credit risk: credit risk adjustments
Template 5		Quality of non-performing exposures by geography	Credit risk: credit risk adjustments
Template 6		Credit quality of loans and advances by industry	Credit risk: credit risk adjustments
Template 9		Collateral obtained by taking possession and execution processes	Credit risk: credit risk adjustments
EBA RTS/2014/17 (Delegated Regulation 2015/1555)			
Table 1		Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer	Capital buffers
Table 2		Amount of institution-specific countercyclical capital buffer	Capital buffers
EBA Guidelines 2020/07			
Template 1		Information on loans and advances subject to legislative and non-legislative moratoria	Credit risk: credit risk adjustments
Template 2		Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria	Credit risk: credit risk adjustments
Template 3		Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis	Credit risk: credit risk adjustments
EBA Guidelines 2020/11			
Changes to LRCom		Leverage ratio common disclosure	Leverage
EBA Guidelines 2020/12			
Template IFRS 9/Article 468-FL		Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR	Own Funds

Moreover, with reference to certain best practices identified by the EBA in the "Report on assessment of Institutions' Pillar 3 Disclosure" (EBA/Rep/2020/09), the following should be noted:

- the information in terms of financial sustainability and ESG risks (environmental, social and governance risks) is reported, based on the regulations in force, on FinecoBank's website at the link https://finecobank.com, section "Sustainability". This section includes FinecoBank's Consolidated Non-Financial Statement;
- the disclosure on environmental, social and governance risks required for Pillar III purposes will be provided, as required by Article 449a of CRR II, starting from June 2022.

Cross reference to information required by Part Eight of CRR

The table shows the information required by Regulation (EU) No. 575/2013.

ARTICLE	CONTENT	CHAPTER
435	Risk management objectives and policies	Risk management objectives and policies; Counterparty risk; Operational risk; Market risk; Liquidity risk
436	Scope of application	Scope of application
437	Own Funds	Own funds, Annex 1
438	Capital requirements	Capital requirements
439	Exposure to counterparty credit risk	Counterparty risk
440	Capital buffers	Capital buffers
441	Indicators of global systemic importance	Not applicable
442	Credit risk adjustments	Credit risk: credit risk adjustments
443	Unencumbered assets	Encumbered and unencumbered assets
444	Use of ECAIs	Credit risk: use of ECAIs
445	Exposure to market risk	Market risk
446	Operational risk	Operational risk
447	Exposures in equities not included in the trading book	Exposures in equities not included in the trading book
448	Exposure to interest rate risk on positions not included in the trading book	Exposure to interest rate risk on positions not included in the trading book
449	Exposure to securitisation positions	Not applicable
450	Remuneration policy	Reference to the "Remuneration Report"
451	Leverage	Leverage
452	Use of the IRB Approach to credit risk	Not applicable
453	Use of credit risk mitigation techniques	Credit risk: Use of credit risk mitigation techniques
454	Use of the Advanced Measurement Approaches to operational risk	Not applicable
455	Use of Internal Market Risk Models	Not applicable

Risk Management objectives and policies

In order to ensure that business activities are in line with corporate strategies and policies and based on sound and prudent management, FinecoBank, as the Parent Company of the FinecoBank Group, has equipped the Group with an uniform Internal Control System that allows effective control over both the strategic choices of the Group as a whole and the managerial balance of the individual Group entities.

Specifically, in accordance with the provisions of Supervisory Authorities, the Group's Internal Control System (ICS) consists of all the rules, functions, structures, resources, processes and procedures aimed at ensuring that the following objectives are achieved:

- containment of risk within the limits set out in the Group Risk Appetite Framework - "RAF";
- verification of the implementation of the Bank's strategies and policies;
- protection of assets value and loss prevention;
- effectiveness and efficiency of corporate processes;
- security and reliability of corporate data and ICT procedures;
- prevention of the risk that the Group may be involved, even involuntarily, in illegal activities (with particular reference to those connected with money laundering, usury and terrorist financing);
- compliance of transactions with the law and supervisory regulations, as well as with the policies, regulations and internal procedures of the Bank and the FinecoBank Group.

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

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

The Parent Company is also subject to Institutional supervisory controls: such controls are carried out by the Bank's supervisory bodies, including inparticular the Board of Statutory Auditors and the Supervisory Body pursuant to Italian Legislative Decree no. 231 of 8 June 2001.

Risk governance organization

The requirement for a comprehensive and functional internal control system is the existence of an appropriate business organization suited to ensure sound and prudent management.

The Group's internal control system provides for the involvement of the following control bodies and functions, each for their respective competences:

- the Board of Directors;
- the Chief Executive Officer and General Manager;
- the Board of Statutory Auditors;
- the Risk and Related Parties Committee;
- the Remuneration Committee;
- the Appointments Committee;
- the Corporate Governance, Environmental and Social Sustainability Committee;
- the Supervisory Body established pursuant to Legislative Decree 231/01;

- the corporate control functions (Risk Management, Compliance, Internal Audit) as well as other corporate functions in charge of specific control tasks.

Corporate bodies and control functions collaborate and coordinate with each other both through specific information flows formalized in internal regulations, and through the establishment of managerial committees focused on control topics.

The Board of Directors of the Parent Company is in charge of setting strategic, organizational and operational guidelines, overseeing and monitoring their timely execution within the assigned risk profiles. The Board of Directors is responsible for setting and approving the methods through which risks are detected and assessed, as well as risk management strategies and policies. The Board of Directors also verifies that the internal control system is consistent with the established risk appetite and approves risk governance policies.

The Chief Executive Officer and General Manager has been assigned specific powers by the Board of Directors in all the Group's areas of activity. These powers shall be exercised according to the applicable regulation and within the limits established by strategies, guidelines, ceilings, risk taking modes and operational modes described by the related disclosures. The Chief Executive Officer and General Manager puts in place the necessary measures aimed at ensuring the establishment and maintenance of an efficient and effective internal control framework. As the corporate Body responsible for the internal control system, the Chief Executive Officer annually approves the document "Managerial Assessment of the Internal Control System and Risks", aimed at evaluating the adequacy of the Group's risk management measures. Eventually, as a member of the Board of Directors, the Chief Executive Officer and General Manager approves the annual report on the Group's Riks Exposures, a document prepared by the Parent Company's Risk Management function that summarizes the Group's overall risk profile, with a specific focus on risk indicators included in the Risk Appetite Framework.

As far as risk management is concerned, the Board of Statutory Auditors is responsible for overseeing the completeness, adequacy, functionality and reliability of the Internal Control System and the Risk Appetite Framework. The Board of Statutory Auditors has also been assigned the responsibility of the Internal Control and Accounting Review Committee, referred to in art. 19 Legislative Decree No. 39/2010 (as amended by Legislative Decree 135/2016).

The Risks and Related Parties Committee is made up of five non-executive and independent Directors, and has the task of supporting, with an adequate preliminary investigation, the assessments and decisions of the Board of Directors concerning risk management and the Internal Controls System, as well as those relating to the approval of periodic financial reports.

The Remuneration Committee is composed of three non-executive and independent Directors and has the task of supporting, with an adequate preliminary activity, the assessments and decisions of the Board of Directors in the following main activities: in defining the general remuneration policy for the Chief Executive Officer and the General Manager, as well as for the other Executives with strategic responsibilities and the other identified Staff; in examining the stock or monetary incentive plans for employees and personal financial advisors of the Company and the Group and the strategic development policies of human resources.

The Appointment Committee is composed of three non-executive and independent Directors and has the task of supporting, with an adequate preliminary activity, the Board of Directors in appointing and co-opting Directors and the Chief Executive Officer and/or General Manager and other Executives with strategic responsibilities.

The Corporate Governance, Environmental and Social Sustainability Committee is composed of three non-executive and independent Directors and has the task of supporting, with an adequate preliminary activity, the Board of Directors in the following main tasks: setting FinecoBank Corporate Goverance, as well as the Group governance framework and guidelines; supervising environmental and social issues involving FinecoBank and interactions with stakeholders.

The Compliance Function oversees the management of non-compliance risk, i.e. the risk of incurring judicial or administrative sanctions, significant financial losses or damage to reputation because of violations of mandatory rules or self-regulation.

The CRO Department is responsible for credit operations and Risk Management activities. The information, at different levels, is provided to different Corporate Bodies (Chief Executive Officer and General Manager, Board of Directors, Risk and Related Parties Committee). In relation to Pillar II guidelines of the Basel committee, reputational risk, business risks and, in collaboration with the CFO, liquidity risks are also subject to control and reporting. The validation function, placed in the staff to the Chief Risk Officer, is in charge of subjecting the Group's internal managerial models to validation (models for calculating Internal Capital, IFRS 9 ECL and Sight Deposits).

The CRO and the CFO are responsible for proposing the Group Risk Appetite Framework and for defining, in line with corporate strategies and objectives, the guidelines and policies on risk management, coordinating and verifying their implementation by the units in charge, including in the various corporate areas.

The CRO Department ensures that the Group's overall risk profile is monitored, checking the exposures to all different types of risk, in line with the methods approved by the Board of Directors.

The Risk Management Unit is responsible for preventing and monitoring the risks of the Group in its various components, whose tasks and responsibilities are described in detail in the next paragraph.

It should be noted that, starting from January 1, 2021, the organizational change approved by the Board of Directors on October 13, 2020 came into force, providing for the establishment of the Chief Lending Officer Department. The new structure, which reports directly to the Chief Executive Officer and General Manager, centralize all the activities concerning the credit process, including certain activities previously carried out by the Chief Risk Officer Department.

The Chief Lending Officer (CLO) will be responsible for defining guidelines concerning origination, management, classification, restructuring and credit recovery processes for commercial loans and exposure towards institutional counterparty. The CLO will also be responsible for maintaining the credit risk profile within the risk appetite defined by the Board of Directors within the RAF.

The CRO will have the task of overseeing the correct functioning of the Group's risk framework by defining the appropriate methodologies for identifying and measuring current and future risks the Group is or may be exposed to, in accordance with the regulatory provisions and management decisions. In addition to these activities, there are second-level risk controls, also concerning credit risk as well as monitoring and reporting to Corporate Bodies.

For more information on the Group's Governance, please refer to the "Report on Corporate Governance and Ownership Structure" available in the "Governance" section of the bank's website at: www.finecobank.com. In particular, reference is made to the "Report on Corporate Governance and Ownership Structure" for the information required by paragraph 2 of art. 435 of the CRR, subsequently amended by CRR II, paragraph 2 letter a) (number of directorships entrusted to the members of the management body), letter b) (the engagement policy for the selection of the members of the management body and their actual knowledge, skills and experience), letter c) (diversity policy), letter d) (if the institution has set up a separate risk committee and the number of times the latter has met) and letter e) (risk information flow addressed to the management body).

Organization of the risk management function

The Risk Management unit, which reports to the Chief Risk Officer (CRO), oversees credit, market and operational risks to which the Group is exposed. The Risk Management activity also involves monitoring business, reputational and liquidity risks. The Risk Management Unit also supports the CRO, for its area of responsibility, in monitoring and reporting activities to the Board of Directors and the Management Body.

In particular, the Group Risk Management:

- is involved in the definition of the RAF, risk governance policies and the various steps of the risk management process as well as in setting operational limits for the exposure towards several types of risk. In this context, the Risk Management Unit is responsible, among other things, of proposing the quantitative and qualitative parameters necessary for the definition of the RAF, which also refer to stress scenarios. In case of changes in the internal and external operational context of the Group, the unit provide the proper adjustments of the selected parameters;
- verify the adequacy of RAF;
- continuously verifies the adequacy of the risk management process and operational limits;
- develops and maintains risk control models;
- ensures the effective implementation of the IT risk assessment methodology, supporting and coordinating the individual functions involved, each one for their competence, during the ICT risk assessment process; defines common operational risk assessment metrics consistent with the RAF, coordinating with the compliance function, the ICT function and the business continuity function;
- defines methods for assessing and controlling reputational risks, coordinating with the compliance function and the most exposed corporate functions;
- assists the corporate bodies in assessing strategic risk by monitoring significant variables;
- develops and applies indicators capable of highlighting anomalous situations and inefficiencies in the risk measurement and control framework;
- analyzes the risks arising from new products and services. In particular, the identification of risks related to new products and services is guaranteed by the permanent participation of the CRO and the Head of Risk Management in the product committee;
- verifies the correct execution of the monitoring framework on individual credit exposures;
- continuously monitors the actual risk assumed by the Group and its consistency with the risk objectives as well as compliance with the operating limits assigned to the operating structures in relation to the assumption of the several types of risk.

The function carries out monitoring and reporting activities to corporate bodies (Chief Executive Officer and General Manager, Board of Directors and Board of Statutory Auditors) and to the Risks and Related Parties Committee. The information provided to corporate bodies is maily covered by the quarterly report on the Group's risk exposures; specific insights concerning risk management processes, methodologies and controls adopted are subject to examination by the Risks and Related Parties Committee.

The function is organized internally both in relation to the individual risk profiles considered to be of greatest importance for the Group, and in relation to the activities transversal to the various risk profiles. In particular, the Unit is structured as follows:

- credit risks, including counterparty risk and country risk, are responsibility of the Credit Risk Team;
- market risks, including liquidity risk, interest rate risk and exchange rate risk, are responsibility of the Market & Liquidity Risk Team;
- operational risks, including reputational and IT risks, are responsibility of the Operational & Reputational Risk Team;
- the development and maintenance of managerial risk models is the responsibility of the Modeling & Internal Capital Team. It should be noted that following the aforementioned organizational change approved by the Board of Directors on 13 October 2020, from 1 January

2021 the staff and the activities carried out by the team were merged with the Credit Risk Team, which has been renamed in Credit Risk & Internal Capital;

- the monitoring of the Risk Appetitite, the relevant external legislation, the updating of the internal policies and the drafting of the Group ICAAP / ILAAP Report is responsibility of the Risk Regulation and Reporting Team.

Risk culture

As highlighted in the Risk Appetite Framework, the Group confirms its strategic orientation towards the adoption of a solid business model with a low risk profile in order to create the basis for sustainable profits and return on the cost of capital, guaranteeing continuity in generation of revenues. The Group's ambition is to achieve this result with the support of an optimal Internal Control System with effective and efficient risk management procedures covering all risks.

In order to internalize these principles / values and implement the risk culture in daily activities, several initiatives have been developed, in particular:

- Managerial Committees were set up in order to ensure a widespread level of risk awareness at all organizational levels, with the involvement of both business and control structures (so-called "tone from the top");
- incentive mechanisms were implemented that consider a weighting for the risks associated with the annual performance of a subset of the RAF indicators (so-called "CRO Dashboard");
- ongoing relationships are maintained with the Chief Risk Officers of the Parent Company and the Legal Entities, to share information on the risk profile and development plans to improve their evolution and risk management
- periodic induction activities are carried out with the Board of Directors and in-depth analysis of risk topics with the Risks and Related Parties Committee;
- specific training courses are offered to employees in order to develop a common risk understanding and knowledge (for example concerning operational and reputational risks).

Risk appetite setting and relevant risk management processes

The Risk Appetite Framework is an integral part of the Internal Control System and represents the reference framework that defines - in line with the maximum risk capacity, the business model and the strategic plan - the risk profile, the tolerance thresholds, the risk limits, risk governance policies and the reference processes necessary to define and implement them.

The main objectives of the Risk Appetite are:

- explicitly evaluate the risks and their interconnections at local and Group level, which the Group decides to assume (or avoid) in a long-term perspective;
- specify the types of risk that the Group intends to assume, establishing limits for Risk Appetite, Risk Tolerance and Risk Capacity both under normal operating conditions and under stress;
- ensure "ex-ante" a risk-return profile consistent with long-term sustainable growth, as defined by the income projections of the strategic plan / budget;
- ensure that the business develops within the risk tolerance limits established by the Board of Directors, in compliance with current national and international regulations;
- integrate the principles of environmental and social sustainability (ESG) into the strategy, business choices and operations management;
- support discussions on future strategic options concerning the risk profile;
- drive the vision of internal and external stakeholders on a risk profile consistent with the strategic plan;
- provide qualitative descriptions with respect to risks that are difficult to quantify (for example, strategic, reputational, compliance) in order to strategically guide the review of processes and the Internal Control System.

The Risk Appetite is defined consistently with the Group's business model; for this reason, the Risk Appetite is integrated in the budget process and in the Multi Year Plan.

The Risk Appetite structure includes a Statement and a set of KPIs. The Statement defines the positioning of the Group in terms of strategic objectives and related risk profiles while the KPIs are aimed at quantitatively measuring the positioning of the Group in the following categories:

- Pillar 1 KPI: regulatory requirements, to include the KPIs required by the Supervisory Authority (for example, capital and liquidity requirements such as LCR and NSFR);
- Managerial KPI: to ensure alignment with the budget in terms of return on capital and credit quality;
- Specific Risk KPI: to ensure control over all the main risks (for example, pillar II capital adequacy, market risks, interest rate risk and operational risk).

For each of the above, one or more KPIs are identified at a consolidated level, in order to be able to quantitatively measure the positioning of the Group through various methods: absolute values, ratio between comparable measures and sensitivity analysis on defined parameters.

Starting from 2021, the RAF will include some new ESG elements in order to comply with the recent European Guidelines on the subject: in particular, some risk / performance indicators have been included in the Dashboard aimed at monitoring, respectively, the ESG investment objective of the portfolio owned by the Group and the concentration of real estate guarantees in areas with high seismic / hydrogeological risk (in order to oversee climate and environmental risk.

The Risk Appetite represents the amount of risk (overall and by type) that the Group is willing to take to achieve its strategic objectives. The Risk Tolerance defines the maximum tolerated deviation from the Risk Appetite; the tolerance threshold is set in such a way as to ensure in any case sufficient margins for the Group to operate, even in conditions of stress, within the maximum risk that can be assumed.

The Risk Capacity represents the maximum level of risk assumption that the Group is technically able to assume without violating regulatory requirements or other constraints imposed by shareholders or by the Supervisory Authority.

Thresholds are set on a case-by-case basis, also through managerial decisions by the Board of Directors, always in compliance with regulatory requirements and the istructions received from supervisory bodies.

Metrics are regularly monitored and reported, at least quarterly. The monitoring, by competence, is carried out by the CRO Department and the CFO Department.

Relevant risks

Credit and counterparty risk

In carrying out its lending activities, the Group is exposed to the risk that loans and receivables may, due to the deterioration of the financial conditions of the obligor, not be repayed at maturity and must therefore be written down in whole or in part. This risk is always inherent in the traditional lending activity, regardless of the financial instrument.

The main causes of default are lay in the lack of the borrower's autonomous ability to ensure the repayment of the debt, as well as the occurrence of macro-economic and political circumstances affecting the financial conditions of the debtor.

In addition to credit granting and origination activities, the Group is also exposed to counterparty risks. In fact, counterparty risk is defined as the risk that the counterparty of a transaction may not fulfill its financial obbligations before the final settlement of the financial flows of the transaction itself.

For example, counterparty risk may arise from:

- derivative contracts;
- trading of securities, futures, currencies;
- holding of third party securities.

Counterparties to such transactions or the issuers of securities held by the Parent Compay or its Legal Entities, may not fulfill ther financial obbligations due to insolvency, political and economic events, lack of liquidity, operational deficiency or for other reasons. Non-fulfillment of a large number of transactions or of one or more transactions of a significant amount, would have a materially negative effect on the Group's business, financial condition and operating results.

In addition, the Group is also exposed to “Non-Traditional Credit Risk” through leverage / short transactions carried out with securities lending (securities lending transactions guaranteed by cash collateral). Such transactions, even if mitigated by automatic stop losses placed within the margins, may generate credit risk in case of liquidity shortages (for example, market turmoils) and / or insufficient margin. To prevent such events, scenario analyzes are periodically developed to assess the impacts and implement appropriate mitigation policies.

The Group, therefore, controls and manages the specific risk of each counterparty as well as the overall risk of the credit portfolio through processes, structures and rules aimed at directing, controlling and standardizing the assessment and management of this risk.

As previously mentioned, credit and counterparty risk management and control are responsibility of the Credit Risk Team. The latter in particular is responsible for:

- monitor the credit granted to customers, in order to control the level of risk to which the Group is exposed and promptly detect any irregularity;
- analyze the level of risk of individual products;
- develop and feed the transition matrix calculation model for retail customers for individual products;
- assess the efficiency of the automated credit assessment systems and propose any corrective actions to the CRO;
- define a Group reporting model by specifying the rules for identifying stocks and flows;
- verify the correct execution of the credit granting and origination process, also through second-level controls;

- support the CFO Department in the impairment procedure by ensuring the correct classification of customers and assigning the correct risk parameters at counterparty (institutional customers) or portfolio (retail customers) level;
- prepare, with the support of the Modeling & Internal Capital Team, the database used for calculating the economic capital for the Group's credit risks, ensuring minimum data quality standards;
- systematically check compliance with leverage / short transactions operating limits and formulate scenario analyzes (stress tests) for assessing the sustainability of operations from an economic and capital point of view;
- support the CFO Department in forecasting and budgeting activities related to loan provisioning.

As of December 31, 2020, the FinecoBank Group did not registered significant impacts in terms of deterioration of the trade credit portfolio arising from the spread of the COVID-19 pandemic; for this reason, the Group did not deem it necessary to change either its credit strategies or its credit risk management, measurement and control policies.

For information on the measures granted by FinecoBank to its customers, please refer to the section "Credit risk: credit provisioning".

For information on the asset quality of the commercial portfolio exposures affected by the crisis, please refer to the disclosure on exposures subject to the measures applied in response to the COVID-19 crisis, provided for by EBA/GL/ 2020/07.

Market and liquidity risk

Market risk derives from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can generate on the economic value of the Group's portfolio, where the latter includes assets held both in the trading book, and the banking book, or the operations connected with strategic investment choices.

The Group's strategic approach is to maintain the minimum level of market risk consistent with business needs and the limits established by the Risk Appetite Framework approved by the Board of Directors.

No legal entity trades proprietary or takes on speculative positions. For this reason, the trading portfolio is made of financial instruments strictly deriving from the brokerage activity with retail customers. In particular, the transactios relate to the purchase and sale of OTC instruments or the internalization activity. Such activity is expressly regulated by MiFID legislation and allows the Bank to settle transactions directly with customers (execution on own account), significantly reducing execution costs.

The main components of market risk in the banking book, on the other hand, are credit spread risk, interest rate risk and exchange rate risk..

The first component derives mainly from investments in bonds held for liquidity purposes. Market risk related to the bond portfolio is bound and monitored through limits on the notional, measures of sensitivity to the Economic Value and limits on the Value at Risk.

The second component, interest rate risk, is managed with the aim of stabilizing the interest margin. The measure of interest rate risk for the banking book concern the double aspect of value and net interest margin of the Group. The Group measures and monitors interest rate risk every day within the methodological framework and the related limits or thresholds approved by the Board of Directors. These concern the sensitivity of the interest margin and the economic value. Interest rate risk affects all positions resulting from strategic investment decisions (banking book).

The third component, the exchange rate risk, is hedged through the balancing of assets and liabilities in foreign currency or through forward currency transactions.

Liquidity risk can be briefly defined as the risk that the Group, also due to unexpected future events, may be unable to meet its payment obligations or to efficiently match expected cash inflows and outflows.

The different types of liquidity risk managed by the Group are as follows:

- short-term liquidity risk refers to the risk of non-compliance between the amount and / or deadlines of incoming and outgoing cash flows in the short term (less than one year);
- market liquidity risk is the risk that the Group may face significant and adverse price change, generated by exogenous and endogenous factors resulting in losses, through the sale of assets considered liquid. In the worst case, the Group may not be able to liquidate the positions thereof;
- structural liquidity risk is defined as the Group's inability to procure, in a stable and sustainable manner, the necessary funds to maintain an adequate ratio between medium / long-term assets and liabilities (over one year) at reasonable price without impacting the daily operations or the financial situation of the Group;
- stress or contingency risk is linked to future and unexpected obligations (for example withdrawals from deposits) and may require the bank to have a greater amount of liquidity than the one considered necessary to manage the ordinary business;
- financing risk, is the risk that the Group may not be able to deal effectively with any planned cash outflows.

In order to deal with its exposure to liquidity risk, the Group invests the part of its liquidity estimated by internal models as persistent and stable (so-called core liquidity) into medium/long-term investments. The amount of liquidity characterized by a lower persistence profile (so-called non-core liquidity) is employed in liquid or easily liquidable assets, such as, for example, demand deposits, short-term loans or government securities that can be used as a short-term source of funding at the Central Bank.

During 2020 the Group has updated its "Group Liquidity Policy", directly applicable to the Parent Company and its Legal Entities, which defines the set of principles and rules that oversee the management of liquidity and related risks in the Group. In particular, the Policy describes the management of liquidity and its risks in standard and crisis conditions, first and second level control activities and the Group's related governance (which envisage the involvement of the Treasury and Risk Management functions), defining roles and responsibilities of corporate Bodies and functions, both for the Parent Company and its Legal Entities.

In accordance with prudential provisions, the Group annually assesses the adequacy of the liquidity governance and management framework (ILAAP process) and gives appropriate disclosure to the Competent National Authority according to the terms established by the relevant legislation.

The supervision of market and liquidity risks is assigned to the Market & Liquidity Risk Team, which is responsible for:

- monitor market risks, interest rate risks, exchange rate risks and liquidity risks on the basis of defined and validated models;
- systematically check compliance with the operating limits relating to trading activities, with reference to the Value at Risk (VaR) of the Trading Book;
- systematically check compliance with operating limits related to internalization activities, with reference to intraday VaR, end of the day Profit & Loss (P&L) and the maximum end of the day and intraday exposure;
- prepare periodic reports on compliance with operating limits;
- identify liquidity risks in collaboration with the CFO;
- monitor the limits related to the remunerated portfolio and check the consistency of product pricing policies;
- monitor the effectiveness of exchange risk hedges, with reference to the Forex VaR;
- carry out second level controls on the alignement to market conditions of transactions with Related Parties carried out by the Treasury Unit and by the Exchange Traded & OTC Markets Unit (investment in bonds, stock lending).

The Treasury Team, within the liquidity risk management framework and in coordination with Planning, Capital Management, Risk Management and Regulatory Affairs, defines the Investment Plan, the Funding Plan and the Contingency Funding Plan. The Treasury Team is also in charge of the first level controls which are the controls inherent in operational processes and are aimed at ensuring compliance with liquidity risk limits through an operationally and regulatory correct liquidity management.

First level controls consist of the monitoring and of the analysis of the regulatory and managerial liquidity indicators . More specifically they refer to:

- the daily analysis of the Operative Maturity Ladder report to make sure that the cumulated liquidity balance is positive in all time buckets;
- the monhly monitoring of the Liquidity Coverage Ratio to make sure that both regulatory and internal prudential thresholds are respected together with the analysis of any significant deviation from the previous survey generated by internal or external evetns;
- the quarterly analysis of the Net Stable Funding Ratio to make sure that available stable funding is adequate and to assessi each investment, modelling and funding operation in order to ensure that NSFR is consistent with the limits and triggers stated in the Risk Appetite Framework.

At the 31st of december 2020, there were no "Contingent liquidity and funding needs", such as, for example, accelerated repayment clauses or the issue of additional guarantees relating to a downgrade of the Group.

During 2020 pandemic emergence didn't have any material impact on market risk profile, on banking and on trading book. Since January 2020 the overall funding situation has improved and the Group's liquidity position remained stable. As a consequence the Group has not changed its strategies and objectives as well as its management, measurement and control policies.

Operational and reputational risk

Operational risk is defined as the risk of losses due to errors, violations, interruptions, damages caused by internal processes, personnel, financial consultants, systems or caused by external events. This definition includes legal and compliance risk, but excludes strategic and reputational risk. For example, operational losses may be losses deriving from internal or external fraud, employment relationship and workplace safety, customer complaints, product distribution, fines and other penalties deriving from regulatory violations, damage to the company's assets, interruptions of the operation and dysfunction of the systems, management of the processes.

Exposure to Operational and Reputational Risks is measured by the Group through a series of indicators called Key Risk Indicators (KRI), maintained by the Risk Management function. Currently there are 63 Key Risk Indicators divided into control areas (Payment Cards, Compliance, HR, Legal, Securities Operations, Payment Systems, Complaints, Risk management, IT Systems, Security, Administration, Audit), whose possible irregular values they are brought to the attention of the Board of Directors through the quarterly report on the Group's risk exposures.

During 2020, a set of indicators relevant for ESG purposes were identified within the operational and reputational risk monitoring dashboard as their anomalous value could highlight specific risks relating to the relationship with customers (e.g. complaints received from customers , problems of availability or security in IT systems), with personnel (e.g. turnover) or with the Regulators with consequences on the sustainability of the business.

As far as Information and Comunication Technology is concerned, FinecoBank has defined and adopted a Group-wide approach that is not limited to the collection and analysis of economic losses, but also considers additional elements, such as, for example, ICT incidents that have occurred and elements related to the riskiness of the Group IT assets (hardware and software).

Despite the fact that the Group makes use of the standardized method for the purpose of calculating regulatory requirements for operational risks, which currently does not involve the use of loss data, the Parent Company nevetheless collects and classifies them for the purpose of internal prevention and improvement. In particular, loss data are classified according to the following event types:

1. internal fraud;
2. external fraud;
3. employment practices and workplace safety;
4. clients, products and business practices;
5. damages to physical assets;
6. business disruption and system failures;
7. execution, delivery and process management.

Among the various event types, the one more relevant for the Group in terms of losses is that of internal fraud, which mainly consist of frauds to clients perpetrated by financial advisors who are part of the sales network. In order to mitigate this risk, in addition to the numerous remote controls carried out on the sales network by several departments (Network Controls Department, Internal Audit, Compliance and Risk Management), an insurance policy has been taken out against financial advisors bad behavior.

Monitoring of operational and reputational risks is the responsibility of the Operational & Reputational Risk Team, which is in charge of:

- define the operational risk mitigation and control system, in compliance with the provisions of external legislation and, in accordance with the indications of the Board of Directors, with the operational evolution of the Group;
- regularly prepare reports on exposure to operational and reputational risks aimed at informing and supporting management decisions;
- prepare a system of Risk Indicators to prevent operational risks arising from human errors, shortcomings in internal procedures and incorrect execution of processes;
- ensure that operational loss data recorded by the different departements of the Group be regularly and promptly recorded;
- carry out, in collaboration with the other company functions, scenario analysis aimed at identifying and preventing potentially high impact losses, even if unlikely;
- proposing operational risk mitigation strategies to the Head of the Risk Management Unit and the CRO;
- provide support an training on the control of operational risks to the Group's structures;
- ensure the monitoring of reputational risk within the perimeter defined by the Group;
- carry out systematic remote controls, through Risk Indicators, on the entire network of financial advisors, in order to mitigate fraud risk arising from financial advisors operations;
- implement and update the early warning indicators management system also in relation to new company activities and regulations;
- evaluate the effectiveness of insurance coverage on financial advisors bad behaviour, considering renewals, limits and deductibles;
- assess the operational and / or reputational risks resulting from the most significant transactions (eg significant outsourcing agreements), ensuring their consistency with the RAF;
- ensure the effective implementation of the IT risk assessment methodology, supporting and coordinating the individual functions involved, each within their competence, during the ICT risk assessment process.

In addition to the aforementioned controls, reputational risks are monitored through the risk assessment carried out by the risk management function throughout the definition, development and approval phase of the Group's products and with the participation in the Products Committee of the Chief Risk Officer and the head of the Risk Management Function.

During 2020, the KRIs did not provide any indication of changes in the Group's risk profile nor were there any operational losses related to the COVID-19 emergency; for this reason, the Group did not deem it necessary to change the strategies, objectives or policies for the management, measurement and control of operational and reputational risks.

Other relevant risks

The types of risk described above, while constituting the main types, are not the only one relevant for the Group. As part of Pillar II regulatory provisions, the Group annually carry out the process of identifying significant risks to which it is exposed, in addition to those of already covered by pillar I (credit, market and operational).

After identifying all relevant risks, the best method for analyzing them is defined: qualitative and quantitative. Quantitative measurement can be carried out using multiple tools, such as scenario analysis (in particular for risks that are difficult to quantify, such as reputational risk or compliance risk), VaR or by calculating Internal Capital. The latter represents the capital necessary for possible losses relating to the Group's activities and takes into account all risks defined by the Group as quantifiable in terms of Internal Capital in line with pillar II regulatory requirements. As of December 2020, the main risks included within the Overall Internal Capital of the Group are those of default, concentration, migration, market, interest rate, credit spread, operating, business and real estate. The Total Internal Capital is periodically subject to stress test exercises; this tool makes it possible to assess the vulnerability of the Group to "exceptional but plausible" events and provides additional information with respect to monitoring activities. During 2020, ESG risks and climate / environmental risk were also included in the Group's risk map. The Group is sensitive to climate change and environmental issues and is constantly committed to monitoring its effects and evaluating, within the context of risk management, the repercussions and effects on its credit and asset management activities.

The limited exposure to non financial corporation protects the Group both from the risk of causing indirect impacts on the environment through the financing of counterparties operating in high environmental impact sectors (e.g. industries operating in the energy sector) and from the risk of suffering the indirect effect of possible environmental events on its own. In fact, the high diversification of the commercial portfolio (both in individual and territorial terms) protects against any deterioration in customers default risk due to environmental factors, such as weather events or natural disasters. The environmental impact of the FinecoBank Group is therefore mainly attributable to the direct consumption of resources at its operating offices and its financial stores. For the initiatives promoted by the Group, aimed at reducing consumption at its operating offices, please refer to the Consolidated Non-Financial Statement of the FinecoBank Group at 31 December 2020.

In addition, the Group is exposed to cyber risk, which represents the potential loss as a result of the occurrence of accidental events or malicious actions inherent in the information system. For more details on the processes and activities for governing and managing cyber security and the related risk, please refer to the FinecoBank Group's Consolidated Non-Financial Statement published on the FinecoBank website (https://www.finecobank.com).

Scope of application

Name of the bank to which the disclosure requirements apply

FinecoBank S.p.A. Parent Company of FinecoBank Banking Group.

As provided for by Article 13 of Regulation (EU) No. 575/2013 ("CRR") subsequently updated by Regulation (EU) 2019/876 of the European Parliament and of the Council (so-called CRR 2), FinecoBank S.p.A. - as an "EU parent institution" - complies with the obligations set out in Part 8 on consolidated basis. This document therefore refers to the FinecoBank Banking Group registered in the Banking Groups Register, consisting of the Parent Company FinecoBank S.p.A. and Fineco Asset Management DAC (hereinafter Fineco AM), a UCITS management company under Irish law.

Differences in the basis of consolidation for accounting and prudential purposes

The information contained in this document refers only to the "Banking Group", as defined by current supervisory regulations. There are no differences between the prudential and accounting scope of consolidation.

Substantial or legal impediments, current or foreseeable, that hinder the rapid transfer of capital resources or funds within the Group

FinecoBank is a banking group subject to the prudential rules laid down in Directive (EU) 2019/878 of the European Parliament and of the Council (so-called CRD V) amending Directive 2013/36/EU on the "access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms" and Regulation (EU) 2019/876 of the European Parliament and of the Council (so-called CRR 2) amending Regulation (EU) No 575/2013 on "prudential requirements for credit institutions and investment firms". At present, the only subsidiary is Fineco AM, a company incorporated under Irish law which, although not subject to the CRR/CRD, is subject to local rules designed to preserve adequate capitalisation in relation to assets under management and operating expenses; therefore, the subsidiary's ability to distribute capital or dividends is subject to compliance with these rules in terms of capital requirements.

Capital requirements

From January 1, 2014, the calculation of the capital requirements takes account of the “Basel 3” regulatory framework, transposed in the Regulation 575/2013/EU on the prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – “CRR”) and the Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (Capital Requirements Directive 4 – “CRD 4”), and sebsequent Regulation and Directive that modify their content, according to the adoption within the Italian regulatory legislation.

Those regulations establish the following structure for Own Funds:

- Tier 1 Capital, in turn composed of:
    - Common Equity Tier 1 – CET1 and
    - Additional Tier 1 – AT1;
- Tier 2 Capital (T2);

the sum of Tier 1 capital and Tier 2 capital makes up the Own Funds (Total Capital).

The Group's prudential supervisory requirements as at 31 December 2020 were determined on the basis of the harmonised rules for banks and investment firms contained in Directive 2013/36/EU (CRD IV) and Regulation (EU) 575/2013 (CRR) of 26 June 2013 and subsequent Directives/Regulations amending their content, which transpose the standards defined by the Basel Committee on Banking Supervision (so called Basel III framework), collected and implemented by the Bank of Italy through Circular no. 285 of 17 December 2013 "Supervisory Provisions for Banks" and subsequent updates.

Own funds, which amounted to €1,588,509 thousand as at December 31, 2020, consisted of Common Equity Tier 1 (CET1) and Additional Tier 1 capital, there were no Tier 2 items. Own Funds include the entire profit for the year 2020, amounting to €323,571 thousand net of foreseeable charges of €1,504 thousand (coupon accruals calculated on Additional Tier 1 instruments issued by the Bank). The Board of Directors of 9 February 2021, in compliance with the Recommendation of the European Central Bank of 15 December 2020 and the content of the Press Release of 16 December 2020 of the Bank of Italy, resolved to propose to the Shareholders' Meeting the allocation to reserves of the entire profit for the year 2020.

Please note that the comparative figures as at December 31, 2019 have been restated and differ from the figures reported in the Public Disclosure - Pillar III as at December 31, 2019, as they have been recalculated taking into account the revocation of the 2019 dividend distribution resolved by the Board of Directors on April 6, 2020 and the consequent proposal, approved by the Shareholders' Meeting on April 28, 2020, to allocate the entire profit for fiscal year 2019 to reserves.

Own Funds disclosure template

	2020.12.31 (A) AMOUNT AT DISCLOSURE DATE	2019.12.31 (A) AMOUNT AT DISCLOSURE DATE
Common Equity Tier 1 (CET1) capital - instruments and reserves		
1 Capital instruments and the related share premium accounts (A)	202,379	201,471
of which ordinary shares	*202,379*	*201,471*
2 Retained earnings (B)	633,307	364,935
3 Accumulated other comprehensive income (and other reserves) (C)	28,351	33,658
5a Independently reviewed interim profits net of any foreseeable charge or dividend (D)	322,067	288,365
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	**1,186,104**	**888,429**
Common Equity Tier 1 capital (CET1): regulatory adjustments		
7 Additional value adjustments (E)	(484)	(506)
8 Intangible assets (net of related tax liabilities) (F)	(94,144)	(102,116)
16 Direct and indirect holdings by an institution of own CET1 instruments (G)	(2,246)	(7,402)
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative (H)	(321)	(322)
20c of which: securitization positions	(321)	(322)
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(97,195)**	**(110,346)**
29 Common Equity Tier 1 capital (CET1)	**1,088,909**	**778,083**
36 Additional Tier 1 (AT1) capital before regulatory adjustments (I)	500,000	500,000
43 Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**	**-**
44 Additional Tier 1 (AT1) capital	**500,000**	**500,000**
45 Tier 1 Capital (T1= CET1 + AT1)	**1,588,909**	**1,278,083**
51 Tier 2 (T2) capital before regulatory adjustments	**-**	**-**
57 Total regulatory adjustments to Tier 2 (T2) capital	**-**	**-**

		2020.12.31 (A) AMOUNT AT DISCLOSURE DATE	2019.12.31 (A) (A) AMOUNT AT DISCLOSURE DATE
58	**Tier 2 capital (T2)**	**-**	**-**
59	**Total capital (TC= T1+T2)**	**1,588,909**	**1,278,083**
60	**Total risk weighted assets**	**3,812,385**	**3,216,788**
Capital ratios and buffers			
61	**Common equity tier 1 capital (as a percentage of total risk exposure amount)**	**28.56%**	**24.19%**
62	**Tier 1 capital (as a percentage of total risk exposure amount)**	**41.68%**	**39.73%**
63	**Total capital (as a percentage of total risk exposure amount)**	**41.68%**	**39.73%**
64	Institution specific capital buffer requirement (CET1 requirement in accordance with article 92 (1) (a)), plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer (G-SII or O-SII buffer), (expressed as a percentage of risk exposure amount) (J)	7.003%	7.022%
65	*of which: capital conservation buffer requirement*	2.500%	2.500%
66	*of which: countercyclical buffer requirement*	0.003%	0.022%
68	Common equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) (K)	21.56%	17.17%
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	15,560	12,075
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	-	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liabilities (where the conditions in article 38 (3) are met)	26,614	44,600
Applicable cap on the inclusion of provisions in Tier 2		-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		-	-

Notes to the table "Own Funds disclosure template" (Article 437, paragraph 1, points d) and e) of CRR)

Amounts and sub-amounts, other than totals, that are equal to zero or not applicable are not reported.

A. The item comprises the share capital of 609,554,043 ordinary shares with a par value of € 0.33, totaling € 201,153 thousand, the share premium reserve of €1,934 thousand, net of own CET1 instruments held by customers who simultaneously used a line of credit, even if not granted for this purpose, for an amount of € 708 thousand, which in application of Art. 28 of CRR 575/2013 cannot be qualified as own funds.

B. The item comprises the legal reserve, the extraordinary reserve, reserves from profits of the subsidiary Fineco AM and other net profit reserves. The change versus December, 31st 2020 is mainly due to:

- the allocation of the profit for fiscal year 2019 to reserves, as approved by the Shareholders' Meeting of April 28, 2020, in the amount of €288,365 thousand;
- the recognition of coupons, net of related taxes, relating to Additional Tier 1 issued in 2018 and Additional Tier 1 issued in 2019, amounting to €-19,767 thousand.

C. Accumulated other comprehensive income (AOCI) consists of: the net positive reserve for debt securities issued by central governments held in the "Financial assets measured at fair value with impact on other comprehensive income" portfolio, amounting to €2,379 thousand, which reports a negative change of 781 thousand euros in 2020, and the negative reserve for defined benefit plans, amounting to €5,211 thousand, which reports a negative change of €3,054 thousand in 2020 as a result of the recognition of actuarial losses primarily attributable to the Supplementary Agents Indemnity Fund. The item also includes Other reserves related to equity settled plans for €31,183 thousand.

D. The amount recognized in Own Funds as of December 31, 2020, amounting to €322,067 thousand, was calculated on the net income for the year 2020 attributable to the Group of €323,571 thousand net of foreseeable charges (coupon accrual on Additional Tier 1 instruments issued by the Bank).

E. This item includes the filter relating to the additional valuation adjustments (AVA) for an amount of €484 thousand calculated on the balance sheet assets and liabilities measured at fair value, determined using the simplified method.

F. This item includes goodwill net of deferred taxation in the amount of € 65,067 thousand and other intangible assets net of deferred taxation in the amount of € 29,077 thousand. The change compared to December 31, 2019 mainly reflects the lower deduction from CET1 Capital of the amount of intangible assets represented by software, as per EU Delegated Regulation 2020/2176 which came into force as of December 22, 2020. Intangible assets not deducted from CET1 were included in Risk-weighted Assets related to credit risk with a risk weight of 100%.

G. This item includes treasury shares held directly in the amount of €1,189 thousand, treasury shares that the Bank has an actual or contingent obligation to purchase in the amount of €1 million, equal to the maximum outlay provided by the repurchase of treasury shares in implementation of the long-term incentive plan "2020 PFA System" authorized by the Supervisory Authority, and treasury shares held synthetically in the amount of €57 thousand. The change compared to December 31, 2019 mainly reflects the allocation to financial advisors of FinecoBank ordinary shares, held in portfolio, under the "2016 PFA Incentive System", "2017 PFA Incentive System" and "2015-2017 PFA PLAN" plans.

H. The item includes the balance sheet amount of exposures in equity instruments relating to the Voluntary Scheme contribution made in 2017 as part of the intervention for the recovery of Caricesena, Carimi e Carismi (for additional details please see the 2020 Financial Statements – Part A – Accounting policies of notes to the accounts). The equity instruments represent an indirect exposure in junior and mezzanine debt under the securitization subscribed by the Voluntary Scheme, and therefore are deduced from Own Funds.

I. Additional Tier 1 capital is made by:

    i. the bond Additional Tier 1 issued on January 31st 2018. The financial instrument is a perpetual, private placement, issued for a total of €200 million, entirely subscribed by UniCredit S.p.A.. The coupon for the first 5,5 years is fixed at 4.82%. During 2020 the coupon payment was recognized as a reduction of €6,989 thousand in the extraordinary reserve, net of the related taxes;

    ii. the bond Additional Tier 1 issued on July, 11th 2019. The financial instrument is a perpetual, public placement, intended to trade on Euronext Dublin’s non-regulated market, Global Exchange Market, notes rating of BB- (S&P Global Ratings), issued for a total of €300 million. The coupon for the first 5 years has been fixed at 5.875%. During 2020 the coupon payment was recognized as a reduction of €12,778 thousand in the extraordinary reserve, net of the related taxes.

J. The item does not include the Pillar 2 requirement on CET1 equal to 1.04% in line with the results of the SREP conducted by Bank of Italy.

K. The figure as of December 31, 2020 is calculated by subtracting from the CET1 ratio as of the date (i.e., item 61: 28.56%) the minimum Primary Tier 1 Capital requirement including the combined capital reserve (i.e., item 64: 7.003%).

With reference to the provisions contained in the CRR Quick-fix, it should be noted that the Group has not made use of the option to apply the transitional regimes contained therein, as a result, FinecoBank Group's own funds, capital and leverage ratio as at 31 December 2020 already fully reflect the impact of unrealized gains and losses measured at fair value recognized in other comprehensive income in light of the COVID-19 pandemic and the introduction of IFRS 9; in addition, exposures to central banks are included in the measure of total exposure. Therefore, the table "Template IFRS 9/Article 468-FL: Comparison of institutions’ own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs, and with and without the application of the temporary treatment in accordance with Article 468 of the CRR" is not subject to publication.

Accounting and regulatory balance sheet, with reconciliation of elements of Own Funds

	ACCOUNTING FIGURES*	AMOUNTS RELEVANT FOR OWN FUNDS PURPOSES **	REF. OWN FUNDS TABLE
ASSET ITEMS			
100. Intangibles assets, of which:	**129,199**	**(119,671)**	
Goodwill	*89,602*	*(89,602)*	*8*
Other intangible assets	*39,597*	*(30,069)*	*8*
110. Tax assets, of which:	**13,314**	**25,527**	
current tax assets	*5,165*	*-*	*-*
deferred tax assets that do not rely on future profitability	*3,300*	*-*	*21*
deferred tax assets that rely on future profitability	*28,859*	*-*	*21*
deferred tax liabilities	*(24,010)*	*25,527*	*8*
LIABILITY ITEMS			
120. Revaluation reserves, of which:	**(2,833)**	**(2,833)**	
Revaluation reserves for financial assets valued at fair value with impact on other comprehensive income	*2,379*	*2,379*	*3*
Revaluation reserves for net actuarial gains (losses)	*(5,212)*	*(5,212)*	*3*
140. Capital instruments	**500,000**	**500,000**	44
150. Reserves	**664,491**	**664,491**	2 e 3
160. Share premium reserve	**1,934**	**1,934**	1
170. Share capital	**201,153**	**201,153**	1
180. Treasury shares	**(1,189)**	**(1,189)**	16
200. Net Profit (Loss) for the year	**323,571**	**322,067**	5a
OTHER ELEMENTS OF OWN FUNDS			
Total other elements, of which:		**(2,570)**	
Own CET1 instruments held by customers who simultaneously used a line of credit		(708)	1
Treasury shares that the Bank has an actual or contingent obligation to purchase		(1,000)	16
Prudential filters (-) fair value adjustments		(484)	7
Prudential filters (-) deduction of the exposure in equity instruments to the Voluntary Scheme with underlying positions to securitization		(321)	20a
Deductions of holdings of own Common Equity Tier 1 capital instruments synthetically held		(57)	16
TOTAL OWN FUNDS		**1,588,909**	

* The figures for the accounting consolidation and the regulatory consolidation are the same; hence they are shown in a single column.

** The plus/minus signs (+/-) represents the (positive / negative) contribution to Own Funds.

Capital requirements

Changes in Own Funds (Enhanced Disclosure Task Force – EDTF recommendation)

	2020.01.01 / 2020.12.31	2019.01.01 / 2019.12.31
Common Equity Tier 1 Capital - CET1		
Start of period	**778,083**	**502,713**
Instruments and Reserves		
Share capital and issue-premium reserves	908	127
of which: own CET1 instruments held by customers who simultaneously used a line of credit	*(697)*	*(41)*
CET1 instruments that the Bank has an actual or contingent obligation to purchase	*(1,000)*	-
Retained earnings	(19,994)	(186)
Accumulated other comprehensive income (AOCI) and other reserves	(5,307)	9,479
Net profit of the period	322,067	288,365
Regulatory adjustments		
Additional regulatory adjustments	22	(286)
Intangible assets net of related liabilities	7,972	(27,887)
Transitional adjustments related to IAS19	-	(1,044)
Direct, indirect and synthetic holdings by an institution of own CET1 instruments	6,157	6,600
Exposure amount of the follow ing items w hich qualify for a RW of 1250%, where the institution opts for the deduction alternative: securitisation positions	1	202
End of period	**1,088,909**	**778,083**
Additional Tier 1 – AT1		
Start of period	**500,000**	**200,000**
Additional Tier 1 issued in the period	-	300,000
End of period	**500,000**	**500,000**
TIER 2 – T2		
Start of period	**-**	**-**
End of period	**-**	**-**
TOTAL OWN FUNDS	**1,588,909**	**1,278,083**

Own Funds totaled €1,588,909 thousand, showing an increase of €310,826 thousand on December 31, 2019 mainly attributable to the combination of the following factors:

- the increase in the item "Share capital and related share premium reserves" by €908 thousand, mainly referring to the reduction of CET1 own instruments held by customers who at the same time used a line of credit, even if not granted for this purpose, for 697 thousand euros, which due to art. 28 of European Regulation 575/2013 cannot be qualified as own funds, and to the free share capital increases referring to the incentive systems for employees carried out in 2020 for a total amount of €211 thousand (which at the same time reduced the profit reserves available for dividends);
- the decrease in the item "Retained earnings" by €19,994 thousand, mainly due to the reduction in profit reserves as a consequence of the recognition of the coupons paid, net of related taxes, related to the Additional Tier 1 issued in 2018 to the Additional Tier 1 instrument issued in 2019, for an amount equal to €-19,767 thousand;
- the recognition of profit for the year 2020 in the amount of €323,571 thousand net of foreseeable charges of 1,504 thousand euros (accrued coupons calculated on Additional Tier 1 instruments issued by the Bank);
- the decrease in accumulated other comprehensive income and other reserves of €-5,307 thousand mainly attributable to the negative change in the net positive reserve for debt securities issued by central governments held in the "Financial assets measured at fair value with impact on other income", for €-780 thousand (of which €+1,261 thousand related to the positive change in fair value and €-2. 041 thousand relating to the reversal to profit and loss of the reserve at December 31, 2019 for realized gains), the negative change in the Defined benefit plan reserve of €-3,054 thousand due to the recognition of actuarial losses mainly attributable to the Supplementary customer indemnity provision and the negative change in the "Stock options" reserves referring to incentive plans served with FinecoBank shares in the amount of €-1,473 thousand;
- the positive change in the item "Intangible assets net of related liabilities" of €7,972 thousand mainly due to the lower deduction of intangible assets represented by software, following the change in the prudential treatment that came into force with the publication in the Official Journal of the European Union of EU Delegated Regulation 2020/2176. Intangible assets represented by software that are no longer deducted from CET1 have been included in the RWA for credit risk with a weigh of 100%;
- the positive change in the item "Direct, indirect and syntheticcholdings by an institution of own CET1 instruments" for €6,157 thousand, mainly due to the allocation, during the year 2020, of treasury shares relating to incentive schemes.

Capital requirements

The Group deems as a priority the activities of capital management and allocation on the basis of the risk assumed in order to expand its operations and create value. These activities involve the various planning and control stages and, specifically, the planning, budgeting and monitoring processes (analysis of expected and actual performance, analysis and monitoring of limits, performance analysis and monitoring of capital ratios).

In the dynamic management of capital, the Group draws up the financial plan and monitors the regulatory capital requirements, anticipating the appropriate actions to achieve the targets.

On the basis of the EU regulations set out in Directive 2013/36/EU and Regulation No 575/2013/EU, collated and implemented by the Bank of Italy through Circular No. 285 of December 17, 2013 "Supervisory Regulations for Banks" as amended, the Bank must satisfy the following own funds requirements established in Article 92 of the CRR, expressed as a percentage of the total risk exposure amount (RWA – Risk Weighted Assets):

- a Common Equity Tier 1 capital ratio of at least 4.5%;
- a Tier 1 capital ratio of at least 6%;
- a Total capital ratio of at least 8%.

Furthermore, in addition to these minimum requirements, banks are required to meet the combined buffer requirement, according to the article 128(6) of EU Directive 2013/36/EU. Failure to comply with such combined buffer requirement triggers restrictions on distributions, requiring the calculation of the Maximum Distributable Amount (MDA), and the need to adopt a capital conservation plan.

The combined buffer requirement applicable to FinecoBank includes the following buffers:

- Capital Conservation Buffer (CCB) according to the article 129 of CRDIV, which is equal to 2.5% of the total Group risk weighted assets;
- Institution specific Countercyclical Capital Buffer (CCyB) to be applied in periods of excessive credit growth, coherently with the article 160 of CRDIV (paragraphs 1 to 4) which for the Bank is equal to 0.003% as of 31 December 2020. This buffer is calculated depending on the geographical distribution of the relevant Group's credit exposures and on the national authorities' decisions, which define country-specific buffers.

With reference to the capital requirements applicable to the FinecoBank Group, it should be noted that, at the end of the Supervisory Review and Evaluation Process (SREP), in August 2020 the Bank of Italy communicated the capital requirements applicable to the Group starting from 30 September 2020. These requirements are equal to:

- 8.04% in terms of Common Equity Tier 1 ratio which includes the Pillar 2 Requirement (P2R) set at 1.04%;
- 9.90% in terms of Tier 1 Ratio which includes a P2R set at 1.40%;
- 12.36% in terms of Total Capital Ratio which includes a P2R set at 1.86%.

Please, find below a scheme of FinecoBank capital requirements and buffers.

Capital requirements and buffers for FinecoBank Group (Enhanced Disclosure Task Force – EDTF recommendation)

REQUIREMENTS	CET1	T1	TOTAL CAPITAL
A) Pillar 1 requirements	4.50%	6.00%	8.00%
B) Pillar 2 requirements	1.04%	1.40%	1.86%
C) TSCR (A+B)	**5.54%**	**7.40%**	**9.86%**
D) Combined Buffer requirement, of which:	2.503%	2.503%	2.503%
1. Capital Conservation Buffer (CCB)	2.500%	2.500%	2.500%
2. Institution-specific Countercyclical Capital Buffer (CCyB)	0.003%	0.003%	0.003%
E) Overall Capital Requirement (C+D)	**8.043%**	**9.903%**	**12.363%**

As at 31 December 2020, FinecoBank ratios are compliant with the above requirements.

To calculate regulatory requirements for credit, market risks and operational risks the Group applies standardised approaches, in accordance with Part Three, Title II, Chapter 2 and Part Three, Title III, Chapter 3 of Regulation (EU) No. 575/2013 (CRR).

The Group assesses capital adequacy by managing and allocating (regulatory and economic) capital according to the risks assumed and with the aim of directing its operations towards the creation of value. The Group has the goal of generating income in excess of that necessary to remunerate risk (cost of equity). This goal is pursued by allocating capital according to specific risk profiles and ability to generate sustainable earnings, measured as EVA (Economic Value Added) and ROAC (Return on Allocated Capital), which are the main risk-related performance indicators.

Capital and its allocation are therefore extremely important in defining strategies, since on the one hand it represents the shareholders' investment in the Group, which must be adequately remunerated, while on the other hand it is a scarce resource on which there are external limitations imposed by supervisory regulations.

The definitions of capital used in the allocation process are as follows:

- Risk or employed capital: this is the equity component provided by shareholders (employed capital) for which a return that is greater than or equal to expectations (cost of equity) must be provided;

- Capital at risk: this is the portion of capital and reserves that is used (the budgeted amount or allocated capital) or was used to cover (at period-end - absorbed capital) risks assumed to pursue the objective of creating value.

Capital at risk is measured according to risk management techniques, for which risk capital is defined as internal capital, on the one hand, and supervisory regulations, for which risk capital is defined as regulatory capital, on the other.

Internal capital and regulatory capital differ in terms of their definition and the categories of risk covered. The former is based on the actual measurement of exposure assumed, while the latter is based on templates specified in regulatory provisions. Economic capital is set at a level that will cover adverse events with a certain probability (confidence interval), while regulatory capital is quantified on the basis of a CET1 target ratio higher than that required by the supervisory regulations in force.

The process of capital allocation is based on a “dual track” logic, considering both economic capital, measured through the full evaluation of risks via risk management models, and regulatory capital, quantified applying internal capitalisation targets to regulatory capital requirements.

The Group dynamically manages its capital base by monitoring regulatory capital ratios, anticipating the appropriate changes necessary to achieve its defined targets, and optimising the composition of its assets and equity. The capital monitoring and planning is performed by the Group in relation to regulatory capital (Common Equity Tier 1, Additional Tier 1 and Tier 2 Capital and Own funds), and in relation to risk-weighted assets (RWAs).

The assessment of the Bank’s total internal capital is a dynamic process that requires constant monitoring designed to control the level of available resources compared to the capital used, and also to provide indications to the decision-making bodies. The monitoring is accompanied by an efficient and appropriate communications system, both for management purposes and communications with the supervisory authorities.

With reference to the risk-weighted exposures (RWA) as at 31 December 2020, it should be noted that following the deconsolidation of FinecoBank from the UniCredit Group, FinecoBank and UniCredit S.p.A. entered into a contract ("Pledge Agreement") that provides for the granting by Unicredit S.p.A. of financial guarantees in favor of FinecoBank aimed at guaranteeing the credit risk exposures represented by the UniCredit bonds, until the natural maturity of the same, and by the financial guarantees issued by FinecoBank in favor of the Italian Tax Agency (“Agenzia delle Entrate”) at the request of UniCredit S.p.A, until they are completely extinguished. This guarantee at December 31, 2020 is represented by the bond "Impresa2 FRN 20/12/2061 Asset Backed", issued by Impresa Two S.r.l. as part of a securitization transaction pursuant to Law 130/99 relating to receivables from businesses sold by UniCredit S.p.A., and repurchased by UniCredit S.p.A. itself. This bond meets the requirements of the applicable regulations in order to be eligible for credit risk mitigation techniques (CRM), with a consequent reduction in risk-weighted exposures and exposure for the purposes of Large Exposures.

Please note that the comparative data as at December 31, 2019 have been restated and differ from the data reported in the Public Disclosure - Pillar III as at December 31, 2019, as they have been recalculated taking into account the revocation of the 2019 dividend distribution resolved by the Board of Directors on April 6, 2020 and the consequent proposal, approved by the Shareholders' Meeting on April 28, 2020, to allocate the entire profit for fiscal year 2019 to reserves.

EU OV1 – Overview of RWAs

		RWA		MINIMUM CAPITAL REQUIREMENTS
		2020.12.31	2019.12.31	2020.12.31
	1 Credit risk (excluding CCR)	**2,270,131**	**1,933,808**	**181,610**
Article 438 (c) and (d)	2 of which standardised approach	2,270,131	1,933,808	181,610
Article 438 (c) and (d)	3 of which the foundation IRB (FIRB) approach	-	-	-
Article 438 (c) and (d)	4 of which the advanced IRB (AIRB) approach	-	-	-
Articleo 438 (d)	5 of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
Article 107 and Article 438 (c) and (d)	**6 CCR**	**236,065**	**28,259**	**18,885**
Article 438 (c) and (d)	7 of which mark to market	-	-	-
Article 438 (c) and (d)	8 of which original exposure	-	-	-
	9 of which standardised approach	-	-	-
	10 of which internal model method (IMM)	-	-	-
Article 438 (c) and (d)	11 of which risk exposure amount for contributions to the default fund of a CCP	5,589	1,838	447
Article 438 (c) and (d)	12 of which CVA	1,001	1,005	80
Article 438 (e)	**13 Settlement risk**	**11**	**26**	**1**
Article 449 (o)(i)	**14 Securitisation exposures in the banking book (after the cap)**	**-**	**-**	**-**
	15 of which IRB approach	-	-	-
	16 of which IRB supervisory formula approach (SFA)	-	-	-
	17 of which internal assessment approach (IAA)	-	-	-
	18 of which the standardised approach	-	-	-
Article 438 (e)	**19 Market risk**	**44,744**	**39,897**	**3,580**
	20 of which the standardised approach	44,744	39,897	3,580
	21 of which IMA	-	-	-
Article 438 (e)	**22 Large exposures**	**-**	**-**	**-**
Article 438 (f)	**23 Operational risk**	**1,194,871**	**1,103,312**	**95,590**
	24 of which basic indicator approach	-	-	-
	25 of which standardised approach	1,194,871	1,103,312	95,590
	26 of which advanced measurement approach	-	-	-
Article 437 (2), Article 48 and Article 60	**27 Amounts below the thresholds for deduction (subject to 250% risk weight)**	**66,563**	**111,485**	**5,325**
Article 500	28 Floor adjustment			
	29 Total	**3,812,385**	**3,216,787**	**304,991**

The sum of the RWA amounts at lines 1, 6 and 27 (net of line 12 "Of which: CVA"), equal to €2,571,758 thousand, is consistent with the amount of item A.1 "Weighted amounts" in the "Capital Adequacy" template.

Total RWAs at line 29, amounting to €3,812,385 thousand, is consistent with item C.1 "Risk-weighted assets" in the "Capital Adequacy" template.

The increase in RWA compared to December 31, 2019 is primarily attributable to credit risk due to business growth, particularly customer lending, financial investments and counterparty risk due to securities lending activities.

It should also be noted that for the purposes of determining the RWA related to operational risk at December 31, 2020, the Group applied the Standardized Method; the update of the Relevant Indicator with the inclusion of 2020 revenues and the exclusion of 2017 revenues resulted in an increase in the related RWA.

Capital requirements

Credit and Counterparty risk

PORTFOLIO	2020.12.31			2019.12.31		
	EXPOSURE TO CREDIT AND COUNTERPARTY RISK	RISK-WEIGHTED ASSETS	CAPITAL REQUIREMENT	EXPOSURE TO CREDIT AND COUNTERPARTY RISK	RISK-WEIGHTED ASSETS	CAPITAL REQUIREMENT
Total IRB approach	-	-	-	-	-	-
Central governments and central banks	17.493.505	163.894	13.111	14.075.686	127.206	10.177
Regional governments or local authorities	441.817	-	-	-	-	-
Public sector Entities	355.820	-	-	279.893	-	-
Multinational development banks	432.664	-	-	465.887	-	-
International organisations	761.333	-	-	656.102	-	-
Institutions	2.046.350	385.460	30.837	572.645	97.290	7.783
Corporates	171.198	171.198	13.696	173.865	173.865	13.909
Retail	1.149.123	861.843	68.947	1.240.088	930.066	74.405
Secured by immovable property	1.666.700	583.912	46.713	1.155.945	404.998	32.400
Exposures in default	3.413	3.417	273	3.502	3.506	280
Items associated with particularly high risk	875	1.312	105	2.307	3.461	277
Covered bonds	643.045	66.458	5.317	544.598	56.612	4.529
Collective investment undertakings (CIU)	422	422	34	873	873	70
Equity instruments	9.333	9.333	747	8.697	8.697	696
Other exposures	318.928	318.920	25.514	264.143	264.137	21.131
Total standardised approach	**25.494.526**	**2.566.169**	**205.294**	**19.444.230**	**2.070.710**	**165.657**
Exposures to central counterparties in the form of prefinanced contributions to the default fund	**-**	**5.589**	**447**	**-**	**1.838**	**147**
Risk assets - Credit and counterparty risk	**25.494.526**	**2.571.758**	**205.741**	**19.444.230**	**2.072.548**	**165.804**

Credit and counterparty risk – Breakdown of credit risk and counterparty risk

PORTFOLIO	2020.12.31				2019.12.31			
	CREDIT RISK		COUNTERPARTY RISK		CREDIT RISK		COUNTERPARTY RISK	
	RISK-WEIGHTED ASSETS	CAPITAL REQUIREMENT	RISK-WEIGHTED ASSETS	CAPITAL REQUIREMENT	RISK-WEIGHTED ASSETS	CAPITAL REQUIREMENT	RISK-WEIGHTED ASSETS	CAPITAL REQUIREMENT
Total IRB approach	-	-	-	-	-	-	-	-
Central governments and central banks	163.894	13.111	-	-	127.206	10.177	-	-
Institutions	159.127	12.730	226.333	18.107	76.256	6.100	21.034	1.683
Corporates	170.115	13.609	1.083	87	172.175	13.774	1.690	135
Retail	859.784	68.782	2.059	165	927.374	74.190	2.692	215
Secured by immovable property	583.912	46.713	-	-	404.998	32.400	-	-
Exposures in default	3.417	273	-	-	3.506	280	-	-
Items associated with particularly high risk	1.312	105	-	-	3.461	277	-	-
Covered bonds	66.458	5.317	-	-	56.612	4.529	-	-
Collective investment undertakings (CIU)	422	34	-	-	873	70	-	-
Equity instruments	9.333	747	-	-	8.697	696	-	-
Other exposures	318.920	25.514	-	-	264.137	21.131	-	-
Total standardised approach	**2.336.694**	**186.935**	**229.475**	**18.359**	**2.045.294**	**163.624**	**25.416**	**2.033**
Exposures to central counterparties in the form of prefinanced contributions to the default fund	**5.589**	**447**			**1.838**	**147**		
Risk assets - Credit and counterparty risk	**2.342.283**	**187.382**	**229.475**	**18.359**	**2.047.132**	**163.771**	**25.416**	**2.033**

Capital requirements

Capital adequacy

CATEGORY/AMOUNT	NON-WEIGHTED AMOUNTS		WEIGHTED/REQUIRED AMOUNTS	
	2020.12.31	2019.12.31	2020.12.31	2019.12.31
A. RISK ASSETS				
A.1 Credit and counterparty risk	**25,494,973**	**19,444,377**	**2,571,758**	**2,072,548**
1. Standardised approach	25,494,973	19,444,377	2,571,758	2,072,548
2. Internal rating method	-	-	-	-
2.1 Basic	-	-	-	-
2.2 Advanced	-	-	-	-
3. Securitisations	-	-	-	-
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**205,741**	**165,804**
B.2 Risk of adjustment of valuation of credit			**80**	**80**
B.3 Settlement risk			**1**	**2**
B.4 Market risk			**3,580**	**3,192**
1. Standardised approach			3,580	3,192
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**95,590**	**88,265**
1. Basic Indicator Approach			-	-
2. Standardised approach			95,590	88,265
3. Advanced measurement approach			-	-
B.6 Other calculation elements			**-**	**-**
B.7 Total prudential requirements			**304,992**	**257,343**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			3,812,385	3,216,788
C.2 Common Equity Tier 1 Capital/Risk-weighted assets (CET1 capital ratio)			28.56%	24.19%
C.3 Tier 1 capital/Risk-weighted assets (Tier 1 capital ratio)			41.68%	39.73%
C.4 Own funds/Risk-weighted assets (Total capital ratio)			41.68%	39.73%

The weighted amount reported under A.1 “Credit and counterparty risk - 1. Standardised approach” includes “Exposures to central counterparties in the form of pre-financed contributions to the Guarantee Fund”.

Capital requirements

Total capital requirements

TYPE OF RISK	APPROACH USED	CAPITAL REQUIREMENTS 2020.12.31	CAPITAL REQUIREMENTS 2019.12.31
1. On-balance-sheet risk assets	Standardised approach	186,721	163,483
2. Guarantees issued and commitments to disburse funds	Standardised approach	215	141
3. Derivative contracts	Current value approach	296	316
4. Securities financing transactions	CRM - Comprehensive method with regulatory adjustments for volatility	18,062	1,717
Capital requirements credit and counterparty risk		**205,294**	**165,657**
Capital requirements for exposures to central counterparties in the form of pre-funded contributions to the default fund		**447**	**147**
Market risk			
1. Foreign-exchange risk	Standardised approach	6	128
2. Debt securities position risk	Standardised approach	859	1,758
3. Equity securities position risk	Standardised approach	2,585	1,202
4. Position risk on commodities	Standardised approach	130	86
5. CIU position risk	Standardised approach	-	18
Capital requirements for market risk		**3,580**	**3,192**
1. Concentration risk	Standardised approach	-	-
Capital requirements for concentration risk		**-**	**-**
1. Risk of credit valuation adjustment	Standardised approach	80	80
Capital requirements for risk of credit valuation adjustment		**80**	**80**
1. Settlement risk	Standardised approach	1	2
Capital requirements for settlement risk		**1**	**2**
1. Operational risk	Standardised approach	95,590	88,265
Capital requirements for operational risk		**95,590**	**88,265**
Total capital requirements		**304,992**	**257,343**

Capital buffers

Article 136 of the directive EU/2013/36 (Capital Requirements Directive, CRD4), and subsequent amendments, establishes the requirement for the designated national authorities to set up an operational framework for establishing the countercyclical capital buffer (CCyB) with effect from January 1, 2016. The buffer is reviewed on a quarterly basis. The European legislation was implemented in Italy through the Bank of Italy Circular 285/2013 (Supervisory regulations for banks), which contain specific rules on the CCyB. Legislative Decree 72 of May 12, 2015 identified the Bank of Italy as the authority designated to adopt the macro prudential measures in the banking sector, including the CCyB. The rules apply at individual and consolidated level to banks and investment firms. On the basis of the analysis of reference indicators, the Bank of Italy has decided to maintain the countercyclical capital reserve ratio (relating to exposures to Italian counterparties) for the fourth quarter of 2020 at 0%.

The countercyclical capital buffer seeks to ensure that the capital requirements of the banking sector take account of the macro-financial environment that the banks operate. Its primary purpose is to use a capital buffer to achieve the macro-prudential objective of protecting the banking sector from periods of excessive growth in aggregate credit, which have often been associated with the accumulation of risk at system level. In times of recession, the buffer should contribute to reducing the risk of the availability of credit being limited by capital requirements that could undermine the performance of the real economy and lead to additional credit losses in the banking system.

Accordingly, institutions are required to maintain an institution-specific countercyclical capital buffer, equivalent to their total risk exposure amount, calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013 multiplied by the weighted average of the countercyclical buffer rates. The institution-specific countercyclical capital buffer rate consists of the weighted average of the countercyclical buffer rates that apply in the jurisdictions where the relevant credit exposures of the institution are located. To calculate the weighted average, institutions must apply to each countercyclical buffer rate its total own funds requirements for credit risk, that relates to the relevant credit exposures in the territory in question, divided by its total own funds requirements for credit risk that relates to all of its relevant credit exposures.

The countercyclical capital buffer became fully effective on 1 January 2019 and may not exceed 2.5%.

The Group’s specific countercyclical capital buffer as at December 31, 2020 was 0.003% at consolidated level, corresponding to around €110 thousand. There is no significant impact on the Group's capital surplus versus requirements.

During 2020, as a result of the COVID-19 health emergency, some National Authorities revised the countercyclical capital buffer ratios applicable to states, with the aim of reducing the capital requirement to be held against it. This reduction resulted in a decrease in FinecoBank Group's countercyclical capital buffer from 0.022% in the fourth quarter of 2019 to 0.003% in the fourth quarter of 2020.

Amount of institution-specific countercyclical capital buffer

	DATA AS OF 2020.12.31
Total risk exposure amount	3,812,385
Institution specific countercyclical buffer rate	0.003%
Institution specific countercyclical buffer requirement	110

Capital buffers

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

	GENERAL CREDIT EXPOSURES		TRADING BOOK EXPOSURES		SECURITIZATION EXPOSURES		OWN FUNDS REQUIREMENTS					
	EXPOSURE VALUE FOR SA	EXPOSURE VALUE FOR IRB	SUM OF LONG AND SHORT POSITIONS OF TRADING BOOK EXPOSURES FOR SA	VALUE FOR TRADING BOOK EXPOSURES FOR INTERNAL MODELS	EXPOSURE VALUE FOR SA	EXPOSURE VALUE FOR IRB	OF WHICH GENERAL CREDIT EXPOSURES	OF WHICH TRADING BOOK EXPOSURES	OF WHICH SECURITIZATION EXPOSURES	TOTAL	OWN FUNDS REQUIREMENTS WEIGHTS	COUNTERCYCLICAL CAPITAL BUFFER RATE
Breackdown by country												
Abu Dhabi	135	-	86	-	-	-	4	-	-	4	0.003%	0.000%
Afghanistan	-	-	20	-	-	-	-	-	-	-	0.000%	0.000%
Albania	2	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Saudi Arabia	9	-	-	-	-	-	1	-	-	1	0.000%	0.000%
Argentina	118	-	-	-	-	-	3	-	-	3	0.002%	0.000%
Australia	153	-	-	-	-	-	4	-	-	4	0.003%	0.000%
Austria	283	-	1	-	-	-	22	-	-	22	0.014%	0.000%
Belgium	110	-	70	-	-	-	4	-	-	4	0.002%	0.000%
Bermuda	1,344	-	56	-	-	-	107	-	-	108	0.066%	0.000%
Brazil	259	-	8	-	-	-	8	-	-	8	0.005%	0.000%
Bulgaria	2	-	-	-	-	-	-	-	-	-	0.000%	0.500%
Canada	6	-	111	-	-	-	-	4	-	4	0.003%	0.000%
China	14	-	141	-	-	-	1	-	-	1	0.001%	0.000%
Colombia	2	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Congo	1	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Croatia	5	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Curacao	-	-	8	-	-	-	-	-	-	-	0.000%	0.000%
Denmark	1	-	-	-	-	-	-	-	-	-	0.000%	2.000%
Ecuador	1	-	4	-	-	-	-	-	-	-	0.000%	0.000%
Etiopia	1	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Philippines	250	-	-	-	-	-	7	-	-	7	0.004%	0.000%
Finland	1	-	64	-	-	-	-	3	-	3	0.002%	0.000%
France	319,060	-	2,947	-	-	-	2,835	52	-	2,887	1.766%	0.000%
Georgia	1	-	-	-	-	-	-	-	-	-	0.000%	0.000%
German	57,617	-	30,819	-	-	-	528	243	-	771	0.472%	0.000%
Ghana	1	-	16	-	-	-	-	-	-	-	0.000%	0.000%
Japan	8	-	-	-	-	-	1	-	-	1	0.000%	0.000%
Greece	2	-	-	-	-	-	-	-	-	-	0.000%	0.000%
India	7	-	38	-	-	-	-	-	-	-	0.000%	0.000%
Iraq	1	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Ireland	23,035	-	5,573	-	-	-	1,835	20	-	1,854	1.134%	0.000%
Cayman Islands	-	-	72,716	-	-	-	-	52	-	52	0.032%	0.000%
Israel	-	-	26	-	-	-	-	-	-	-	0.000%	0.000%
Italy	3,451,989	-	411,603	-	-	-	151,903	869	-	152,772	93.439%	0.000%
Jersey	-	-	4,291	-	-	-	-	-	-	-	0.000%	0.000%
Kazakhstan	4	-	2	-	-	-	-	-	-	-	0.000%	0.000%
Kenya	3	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Kuwait	1	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Liberia	-	-	4	-	-	-	-	-	-	-	0.000%	0.000%
Libya	1	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Lithuania	1	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Luxembourg	23,638	-	3,473	-	-	-	1,863	13	-	1,876	1.147%	0.250%
Malaysia	197	-	-	-	-	-	6	-	-	6	0.003%	0.000%
Malta	4	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Maroc	3	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Mexico	12	-	24	-	-	-	1	-	-	1	0.000%	0.000%
Moldavia	2	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Nicaragua	2	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Nigeria	2	-	7	-	-	-	-	-	-	-	0.000%	0.000%
Norway	1	-	37	-	-	-	-	3	-	3	0.002%	1.000%
Holland	751	-	75,832	-	-	-	60	93	-	153	0.094%	0.000%
Panama	1	-	4,208	-	-	-	-	33	-	33	0.020%	0.000%
Paraguay	7	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Perù	1	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Poland	1	-	30	-	-	-	-	-	-	-	0.000%	0.000%
Portugal	7,482	-	1,610	-	-	-	121	-	-	121	0.074%	0.000%
Principality of Monaco	13	-	42	-	-	-	1	-	-	1	0.000%	0.000%
Qatar	3	-	18	-	-	-	-	-	-	-	0.000%	0.000%
United Kingdom	10,914	-	9,547	-	-	-	756	83	-	839	0.513%	0.000%
Czech Republic	15	-	-	-	-	-	1	-	-	1	0.001%	0.500%
Dominican Republic	1	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Romania	744	-	58	-	-	-	33	-	-	33	0.020%	0.000%
Russia	504	-	43	-	-	-	18	1	-	20	0.012%	0.000%
San Marino	7	-	19	-	-	-	-	-	-	-	0.000%	0.000%
Serbia	1	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Singapore	11	-	1	-	-	-	1	-	-	1	0.000%	0.000%
Spain	53,969	-	570	-	-	-	435	3	-	438	0.268%	0.000%
United States of America	9,527	-	432,087	-	-	-	753	666	-	1,419	0.868%	0.000%
South Africa	42	-	23	-	-	-	2	2	-	4	0.003%	0.000%
Sweden	53	-	38	-	-	-	2	3	-	5	0.003%	0.000%
Svitzerland	468	-	758	-	-	-	17	11	-	28	0.017%	0.000%
Taiwan	2	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Thailandia	8	-	930	-	-	-	-	-	-	-	0.000%	0.000%
Trinidad and Tobago	2	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Tunisia	21	-	-	-	-	-	1	-	-	1	0.001%	0.000%
Turkey	8	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Ucrain	-	-	21	-	-	-	-	1	-	1	0.001%	0.000%
Uganda	3	-	4	-	-	-	-	-	-	-	0.000%	0.000%
Uruguay	4	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Uzbekhstan	1	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Venezuela	1	-	-	-	-	-	-	-	-	-	0.000%	0.000%
Vietnam	179	-	-	-	-	-	5	-	-	5	0.003%	0.000%
TOTAL	**3,963,037**	**-**	**1,057,997**	**-**	**-**	**-**	**161,345**	**2,155**	**-**	**163,500**		

Credit risk: credit risk adjustments

Definitions of impaired exposures

According to Bank of Italy regulations, set out in Circular no. 272 of 30th July 2008 as amended, impaired exposures correspond to the aggregate of Non-Performing Exposures referred to in the Implementing Technical Standards issued by the European Banking Authority (EBA/ITS /2013/03/rev1 24/7/2014).

Specifically, the European Banking Authority (EBA) has identified Non-Performing exposures as those that satisfy either or both of the following criteria:

- material exposures which are more than 90 days past due;
- exposures for which the Bank has assessed that the debtor is unlikely to pay its credit obligations, without the enforcement and realization of collateral, regardless of the existence of any past due and/or overdrawn impaired exposures or of the number of days past dueesposizioni materiali scadute da più di 90 giorniesposizioni per le quali la società valuta improbabile che il debitore possa adempiere interamente alle sue obbligazioni creditizie, senza procedere all'escussione e al realizzo delle garanzie, a prescindere dall'esistenza di esposizioni scadute e/o sconfinanti e dal numero dei giorni di scaduto.

The Group has pursued a substantial alignment by including in this definition also the concept of "default" governed by Art. 178 EU Regulation no. 575/2013 and that of "impaired" as defined in the IFRS 9 principle. Moreover, the aforementioned circular n.272, provides that the aggregate of non performing exposures be classified in the following categories:

- bad exposures, i.e: on-balance-sheet and off-balance-sheet exposures to customers who are in a state of insolvency, even if the latter has not been recognised in a court of law. The assessment is performed on a granular basis (also by verifying statistically defined coverage levels for some loan portfolios below a predefined threshold) or, for individually insignificant amounts, on a flat basis by type of homogeneous exposure;
- unlikely to pay exposures: on-balance-sheet and off-balance-sheet exposures for which the conditions for the classification of the debtor under bad loans are not met and for which there is an assessment of the improbability that, in the absence of actions such as the enforcement of guarantees, the debtor will be able to fulfill fully (in principal and / or interest) its credit obligations. This evaluation is carried out regardless of the presence of any overdue and unpaid amounts (or installments). The classification to Unlikely to Pay is not necessarily linked to the explicit presence of irregularities (non-repayment), but is rather linked to the existence of default risk evidences. Unlikely to Pay are assessed analytically in the financial statements (also through the comparison with statistically defined coverage levels for some loan portfolios below a predefined threshold) or by applying percentages determined on a flat-rate basis for types of homogeneous exposures;
- past due and / or overdue exposures: on-balance-sheet exposures, other than those classified among bad loans or unlikely to pay which, at the reference date, are past due or overdue. Past due and / or overdue exposures are determined with reference to the individual debtor. In particular, they represent the entire exposure to counterparties, other than those classified in the category of unlikely to pay and bad loans, which at the reference date show past due or overdraft amounts for more than 90 days as well as the other requirements set by local prudential regulations for their inclusion in "past due exposures" (standardized method). Impaired past due and / or overdue exposures are valued on flat-rate basis according to a historical / statistical assessment.

With regard to past due exposures, it should by noted that, starting from 1 January 2021, a new definition of default applies. According to the latter, which has been introduced by regulation 2018/171 and by the EBA/GL/2016/07, a default is considered to have occurred if the debtor is overdue for more than 90 days on a significant credit obligation to the institution. The relevance of the overdue credit obligation is measured through an absolute threshold and a relative threshold:

- the absolute threshold is equal to € 100 for retail customers and € 500 for other types of exposure;
- the relative threshold is represented by the percentage that expresses the ratio between the overdue amount of the credit obligation and the overall amount of exposures to the same debtor recorded in the financial statements of the institution. This threshold was defined by both the ECB and the Bank of Italy equal to 1%.

The new definition of default also provides for a three-month probationary period - called the "cure period" - for the reclassification to performing of debtors previously classified as non-performing.

The aforementioned EBA standards have also introduced the definition of forborne exposures, i.e. exposures that have been subject to forbearance measure to a debtor who is or is about to face difficulties in complying with its financial commitments.

The same EBA standards define a forbearance measure as:

- a change in the original terms and conditions of a contract that the debtor is deemed unable to fulfill due to financial difficulties resulting in insufficient debt service capacity and which would not have been granted if the debtor did not had found himself in financial difficulty;
- the total or partial refinancing of a problematic loan that would not have been granted had the debtor not been in financial difficulty.

Forborne exposures may be classified as performing and non performing loans. Forborne exposures classified as unlikely to pay can be reclassified among performing loans only after a cure period of at least one year, starting from the date on which the forbearance measure was granted. During this cure period, all conditions set out in paragraph 157 of the EBA Implementing Technical shall be met.

As far as classification criteria of the exposures impacted by the COVID-19 pandemic crisis are concerned, please refer to the paragraph "Changes due to COVID-19".

Credit risk: credit risk adjustments

Description of the methods adopted to determine credit provisioning

Loans and debt securities classified under the items "Financial assets measured at amortized cost", "Financial assets measured at fair value through other comprehensive income" and the relevant off-balance sheet exposures (commitments and guarantees given) are subject to impairment calculation according to the IFRS9 principle, taking into account the reference legislation supplemented by internal rules and policies governing the classification criteria of loans and their transfer into the various categories.

These instruments are classified in Stage 1, Stage 2 or Stage 3 depending on their absolute or relative credit quality with respect to their initial recognition. In particular:

- Stage 1: includes newly originated or acquired credit exposures as well as exposures that have not undergone a significant increase in credit risk with respect to the initial recognition date;
- Stage 2: includes credit exposures which, although performing, have undergone a significant increase in credit risk with respect to the initial recognition date;
- Stage 3: includes impaired credit exposures.

For exposures belonging to Stage 1, the impairment is equal to the expected loss calculated over a time horizon of up to one year. For exposures belonging to Stage 2 or 3, the impairment is equal to the expected loss calculated over a time horizon equal to the residual duration of the related exposure.

In order to comply with the requirements of the accounting standard, the Group refers to specific models for calculating the expected loss, which leverage on PD, LGD and EAD parameters. Such parameters, which are estimated conservatively, are subject to specific adjustments in order to ensure full consistency with accounting legislation. In this context, "forward looking" information were also included through the development of specific stress scenarios.

With reference to the expected loss for retail counterparties, as no internal rating systems are available, the Group make use of proxies. In this regard the portfolio is segmented by product type and the PD is replaced by the average decay rate observed by the transition matrix defining classification changes. This approach is based on the assumption that, in the absence of changes in the creditworthiness assessment criteria of the individual counterparties, the future credit quality will be consistent with the credit quality recorded in the historical series available. To implement the requirements of the IFRS9 legislation, parameters calculated through the proxy are corrected as to incorporate Forward Looking Information.

A key element considered by the new accounting model required for the calculation of the expected credit loss is represented by the Staging Allocation model, aimed at transferring the exposures between Stage 1 and Stage 2 (since Stage 3 includes non-performing exposures), where the Stage 1 mainly includes (i) newly originated exposures, (ii) exposures that do not show a significant increase in credit risk with respect to the initial recognition and (iii) exposures associated with low credit risk (low risk exemption principle) at reporting date.

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

- the comparison at transaction level between the PD measured at first recognition and that recorded at the reporting date, both quantified according to internal models. To this end, thresholds are set in such a way as to consider all the key variables of each transaction that may influence the bank's expectation of changes in PD over time (eg age, maturity, level of PD at the time of disbursement);
- absolute elements such as the backstops required by the legislation (e.g. 30 days overdue);
- additional internal evidences (e.g. forbearance classification).

With reference to debt securities, the Group has opted for the application of the low credit risk exemption on investment grade securities, in full compliance with the provisions of the accounting standard.

The criteria for determining the write-downs to be made to loans and receivables are based on the discounting of the expected financial flows for capital and interest which, consistently with the portfolio management model, can also refer to market transactions; for the purpose of determining the present value of the flows, the core elements are represented by the estimation of cash flow, the related collection dates and the discount rate to be applied.

In particular, the amount of the loss, for impaired exposures classified as bad loans, unlikely to pay or impaired past due and / or overdue exposures, according to the previously specified categories, is obtained as the difference between the book value and the present value of the estimated cash outflows, discounted at the original interest rate.

For all fixed-rate positions, the contractual interest rate is kept constant also in subsequent years, whereas for variable-rate positions the interest rate is updated according to the contractual terms. Where the original rate is not directly available, or its finding is excessively onerous, its best approximation is applied, also by resorting to alternative solutions ("practical expedients") which do not in any case alter the substance and consistency with international accounting standards.

Recovery times are estimated on the basis of business plans or forecasts based on the historical experience of the recoveries recorded for homogeneous classes of loans, taking into account the customer segment, the technical form, the type of guarantee and any other factors deemed relevant or, if necessary, the expected market transaction conditions.

Credit risk: credit risk adjustments

Risk parameters and definitions used in provisioning

As mentioned in the previous paragraph, the models for calculating the expected loss make use of PD, LGD and EAD parameters, as well as the effective interest rates. These models are used to calculate the provisioning for all shared institutional counterparties within the Group, which mainly consitst of FIBS (Financial Institutions, Banks and Sovereigns) counterparties.

In particular:

- the PD (Probability of Default), expresses the probability of occurrence of an event of default of the credit position, in a specific time frame (eg 1 year);
- the LGD (Loss Given Default), expresses the estimated loss percentage, and therefore the expected recovery rate, upon the occurrence of an event of default of the credit position;
- EAD (Exposure at Default), expresses the amount of exposure at the time of the default event of the credit position;
- the Effective Interest Rate is the discount rate that expresses the time value of money.

These parameters are calculated starting from the homologous long-term parameters used for the purpose of calculating the Internal Capital, making specific adjustments in order to ensure full consistency with the requirements of the IFRS 9 accounting standard.

The main adjustments are aimed at:

- introducing point-in-time adjustments;
- including forward looking information;
- extend the credit risk parameters to a multi-year perspective.

With regard to lifetime PDs, the through-the-cycle PD curves, obtained by adapting the observed cumulative default rates, were calibrated to reflect point-in-time and forward-looking forecasts about portfolio default rates.

The recovery rate incorporated in the through-the-cycle LGD has been adapted in order to reflect the latest trends in recovery rates as well as expectations about future trends and discounted to the effective interest rate or its best approximation.

Forward looking information used in provisioning

The expected credit loss resulting from the parameters described in the previous paragraph considers macroeconomic forecasts through the application of multiple forward looking scenarios.

Specifically, the forward looking component is determined by three macroeconomic scenarios, a baseline scenario, a positive scenario and an adverse scenario. The baseline scenario is the central reference scenario and is therefore considered the most probable realization; the positive and adverse scenarios represent alternative realizations, respectively better and worse.

For more information on the scenarios used to acknowledge the deterioration of the macroeconomic situation caused by the COVID 19 pandemic crisis, please refer to paragraph 2.3 "Methods for measuring expected losses" reported in part E of the notes to the financial statements at 31 December 2020.

Classification of exposures into risk categories

The classification into the various risk categories is carried out following the guidelines of the EBA standards (Implementing Technical Standard - Implementing Regulation (EU) No. 680/2014 of the European Commission) and Circular 272 of the Bank of Italy.

Changes due to COVID 19

In order to limit the long-term effects of the crisis triggered by the COVID-19 health emergency, many European governments have provided some support measures for the liquidity of firms and households. For the latter, the Italian government, through decree law no. 18 of 17 March 2020 provided for the extension of the solidarity fund for first home mortgages (so-called Gasparrini Fund) to employees, self-employed workers and freelancers upon the occurrence of certain conditions resulting from the restrictions adopted for the COVID-19 emergency. The contractual amendment provides for the suspension of the installment for a temporary period, at the end of which the amortization plan resumes regularly (moratorium). During the suspension period, interest continues to accrue based on the contractual rate of the loan and the residual capital to be repaid at the time of activation of the suspension. The decree provides that the Gasparrini Fund (Consap) bears 50% of the interest accruing in the suspension period, while the remaining 50% is equally divided into additional shares to the installments for the residual duration of the loan.

In addition to the provisions of law decree no. 18 of 17 March 2020, the FinecoBank Group has joined some initiatives promoted by the Italian Banking Association (ABI).

In summary, the support measures offered by the FinecoBank Group to its customers are as follows:

- opportunity for customers who comply with the requirements established by the solidarity fund on first home loans, to request the suspension of the entire mortgage loan installment for up to 18 months;
- opportunity granted to families to suspend loans following the epidemiological event COVID 19 (personal loans and mortgages other than those that fall within the conditions required by the Gasparrini Fund), thanks to FinecoBank's adhesion to the ABI-Associations Agreement consumers, in line with the EBA Guidelines;
- opportunity for workers on extraordinary layoffs to ask for an anticipation of the subsidy through an overdraft facility.

In response to the adoption of public supporting measures described above, the main European and international authorities (IASB, EBA, ECB, European Commission, ...) have provided institutions with uniform indications on the prudential and accounting treatment of such credit exposures.

From a prudential point of view, authorities have clarified that the application of support measures in the form of legislative or private moratoriums that comply with a series of requirements established by the EBA, shall not be automatically classified as forbearance measures, as they have a preventive nature and generic scope (they are not formulated ad hoc for the customer). Furthermore, the application of these measures does not significantly affect their value such as to result in an automatic classification to Unlikely to Pay (so-called distressed restructuring).

From an accounting point of view, the Authorities highlighted the need to incorporate the deterioration of the macroeconomic situation caused by the crisis without mechanically applying the existing approaches for calculating expected losses. In particular, the recommendation is to achieve the right balance between the need to avoid excessive pro-cyclicality and ensure that the risks to which the institutions are (or will be) exposed are adequately reflected in the internal risk measurement and management processes.

Consistently with the indications provided by the supervisory authorities, the exposures subject to a moratorium compliant with the requirements established by the EBA, were not classified as forbearance measures and were maintained at Stage 1 of the staging allocation, unless additional factors occurred resulting in a significant increase in credit risk. The residual support measures granted to customers, which do not comply with the requirements established by the EBA, were assessed and classified on a case-by-case basis, in accordance with the provisions of the prudential and accounting framework in force. To this end, it is essential the assessment of the debtor's economic difficulty, which has been carried out in consideration of the income / financial situation of the beneficiary of the support measure. At December 31 ,2020, there was a negligible presence in the credit portfolio of some moratoriums that do not comply with the Guidelines.

For the purpose of calculating expected credit losses for performing exposures, the Group used risk parameters (PD and LGD) adjusted through macroeconomic scenarios that incorporate forward-looking information updated to the pandemic crisis, consistent with the macroeconomic forecasts issued by the European Central Bank.

For details on forward looking component (scenarios adopted, relative weightings and assumptions), please refer to the Consolidated Explanatory Notes to the financial statement - Part E - Risks and hedges - Credit risks.

Credit risk: credit risk adjustments

EU CRB-B – Total and average net amount of exposures

	NET VALUE OF EXPOSURES AT THE END OF THE PERIOD	AVERAGE NET EXPOSURE OVER THE PERIOD
15 Total IRB approach	-	-
16 Central governments or central banks	17,493,504	15,759,440
17 Regional governments or local authorities	441,817	266,331
18 Public-sectors entities	355,820	331,995
19 Multilateral development banks	432,664	559,319
20 International organisations	761,333	789,207
21 Institutions	6,485,872	6,978,862
22 Corporates	377,836	332,260
23 of which: SMEs	6,057	5,700
24 Retail	3,485,767	3,304,689
25 of which: SMEs	3,935	3,945
26 Secured by immovable property	1,666,760	1,592,140
27 of which: SMEs	75	89
28 Exposures in default	3,810	3,981
29 Items associated with particularly high risk	875	3,789,405
30 Covered bonds	643,045	633,979
32 Collective investment undertakings	422	301
33 Equity exposures	9,333	8,659
34 Other exposures	318,928	302,181
35 Total standardised approach	**32,477,786**	**34,652,749**
36 Total	**32,477,786**	**34,652,749**

The net value of exposures refers to on-balance-sheet and off-balance-sheet exposures to credit risk, as defined by the CRR, and therefore excludes exposures to counterparty risk.

The increase in exposures compared to December 31, 2019 is mainly attributable to the growth of the business, in particular lending to customers and investments in covered bonds. It should also be noted that the Group, proceeded with the gradual reduction of the exposure to UniCredit S.p.A., recorded in the Institutions portfolio, increasing its exposures to central governments and central banks.

EU CRB-C – Geographical breakdown of exposures

	NET VALUE															
	EUROPE	ITALY	SPAIN	INTERNATIONAL EUROPEAN BODIES	FRANCE	IRELAND	AUSTRIA	BELGIUM	GERMANY	PORTUGAL	OTHER EUROPEAN COUNTRIES	AMERICA	OF WHICH UNITED STATES OF AMERICA	ASIA	OTHER GEOGRAPHICAL AREAS	TOTAL
Total IRB approach	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central governments or central banks	16,467,280	8,246,251	4,321,136	-	1,228,276	957,330	520,526	559,997	126,942	393,700	113,122	730,614	677,945	295,610	-	17,493,504
Regional governments or local authorities	441,817	-	271,517	-	-	-	-	94,349	75,951	-	-	-	-	-	-	441,817
Public sector entities	355,820	-	123,597	-	83,929	-	-	-	148,293	-	-	-	-	-	-	355,820
Multilateral development banks	432,664	-	-	432,664	-	-	-	-	-	-	-	-	-	-	-	432,664
International organisations	761,333	-	-	761,333	-	-	-	-	-	-	-	-	-	-	-	761,333
Institutions	6,376,372	5,857,533	31,890	-	103,077	20,050	89,590	-	108,988	-	165,244	109,500	109,500	-	-	6,485,872
Corporates	376,461	317,646	2	-	3,868	20,273	260	1	806	2	33,601	1,366	19	7	2	377,836
Retail	3,484,987	3,481,660	391	-	126	2	143	22	126	30	2,485	381	116	236	163	3,485,767
Secured by mortgages on immovable property	1,665,341	1,660,773	79	-	147	157	-	92	236	-	3,857	525	169	745	149	1,666,760
Exposures in default	3,805	3,786	1	-	-	-	-	-	-	-	18	5	-	-	-	3,810
Items associated with particularly high risk	875	875	-	-	-	-	-	-	-	-	-	-	-	-	-	875
Covered bonds	643,045	210,218	53,864	-	315,021	-	-	-	56,487	7,454	-	-	-	-	-	643,045
Collective investments undertakings	422	-	-	-	-	410	-	-	-	-	12	-	-	-	-	422
Equity exposures	7	7	-	-	-	-	-	-	-	-	-	9,319	9,319	7	-	9,333
Other exposures	318,928	316,733	-	-	-	2,194	-	-	-	-	-	-	-	-	-	318,928
Total standardised approach	**31,329,157**	**20,095,482**	**4,802,477**	**1,193,997**	**1,734,444**	**1,000,416**	**610,519**	**654,461**	**517,829**	**401,186**	**318,339**	**851,710**	**-**	**296,605**	**314**	**32,477,786**
Total	**31,329,157**	**20,095,482**	**4,802,477**	**1,193,997**	**1,734,444**	**1,000,416**	**610,519**	**654,461**	**517,829**	**401,186**	**318,339**	**851,710**	**-**	**296,605**	**314**	**32,477,786**

It should be noted that, during fiscal year 2020, the Group's investment policy led to further geographical diversification of exposures compared to December 31, 2019.

The columns provide the significant geographical areas in which FinecoBank has material exposures. Exposures equal to or less than 0.5% of total exposures have been included in “Other European countries” and “Other geographical areas”.
The column “Other European countries” groups together exposures in the following countries: UK, Switzerland, Norway, Poland, Luxembourg, Finland, Romania, Russia, Netherlands, Hungary, Sweden, San Marino, Czech Republic, Monaco, Croatia, Turkey, Holy See (Vatican City), Malta, Georgia, Moldova, Albania, Greece, Bulgaria, Slovak Republic, Lithuania, Cyprus, Ukraine, Denmark, Serbia, Slovenia, Iceland, Estonia, Gibraltar, Latvia, Belarus and Montenegro.
The column “Other geographical areas” groups together exposures in the following countries: Republic of South Africa, Nigeria, Australia, Tunisia, Uganda, Kenya, Morocco, Zimbabwe, Libya, Ghana, Ethiopia, Congo, New Zealand, Zambia, Marshall Islands, Mauritius, Egypt, Equatorial Guinea, Senegal, Tanzania, Algeria, Malawi.

Credit risk: credit risk adjustments

EU CRB-D – Concentration of exposures by industry or counterparty types

	AGRICULTURE, FORESTRY AND FISHING	MANUFACTURING	ELECTRICITY, GAS, STREAM AND AIR CONDITIONING SUPPLY	CONSTRUCTION	WHOLESALE AND RETAIL TRADE	TRANSPORT AND STORAGE	ACCOMMODATION AND FOOD SERVICE ACTIVITIES	INFORMATION AND COMMUNICATION	REAL ESTATE ACTIVITIES	PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES	ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	PUBLIC ADMINISTRATION AND DEFENCE, COMPULSORY SOCIAL SECURITY	EDUCATION	HUMAN HEALTH SERVICES AND SOCIAL WORK ACTIVITIES	ARTS, ENTERTAINMENT AND RECREATION	OTHER SERVICES	TOTAL
6 Total IRB approach	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	15,461,663	-	-	-	-	**15,461,663**
8 Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	441,817	-	-	-	-	**441,817**
9 Public-sectors entities	-	-	-	-	-	-	-	-	-	-	-	83,929	-	-	-	-	**83,929**
11 International organisations	-	-	-	-	-	-	-	-	-	-	-	753,145	-	-	-	-	**753,145**
13 Corporates	1	51	1	4	16	5	2	127	21	-	1,397	-	1	3	1	51	**1,681**
14 Retail	527	97	-	172	823	19	11	30	-	9	22,644	-	15	948	246	211	**25,752**
15 Secured by mortgages on immovable property	-	-	-	-	75	-	-	-	-	-	3,555	-	-	688	57	-	**4,375**
16 Exposures in default	1	2	-	5	11	1	2	1	1	-	121	-	-	1	1	1	**148**
21 Equity exposures	-	-	-	-	-	-	-	-	-	-	5	-	-	-	-	-	**5**
23 Total standardised approach	**529**	**150**	**1**	**181**	**925**	**25**	**15**	**158**	**22**	**9**	**27,722**	**16,740,554**	**16**	**1,640**	**305**	**263**	**16,772,515**
24 Total	**529**	**150**	**1**	**181**	**925**	**25**	**15**	**158**	**22**	**9**	**27,722**	**16,740,554**	**16**	**1,640**	**305**	**263**	**16,772,515**

The exposures reported above are consistent with the exposures reported in template EU CRB-B, net of exposures to "Financial and insurance activities", amounting to 9,529,020 thousand euros, "Households", amounting to 5,415,782 thousand euros, "Activities of extraterritorial organizations and bodies" amounting to 440,852 thousand euros, as well as exposures to the Voluntary Scheme amounting to 875 thousand euros and exposures that cannot be traced back to a specific counterparty, amounting to 319,619 thousand euros, such as certain assets that are included in the balance sheet under item 130 "Other assets" (net of tax assets), 90 "Tangible assets" and 60 "Value adjustments to financial assets subject to macro-hedging" on the Assets side of the Balance Sheet.

EU CRB-E – Maturity of exposures

	NET EXPOSURE VALUE					
	ON DEMAND	<= 1 YEAR	> 1 YEAR < = 5 YEARS	> 5 YEARS	NO STATED MATURITY	TOTAL
6 Total IRB approach	-	-	-	-	-	-
7 Central governments or central banks	2,295,559	1,329,328	4,036,017	9,807,921	24,679	17,493,504
8 Regional governments or local authorities	-	-	-	441,817	-	441,817
9 Public-sectors entities	-	-	140,312	215,508	-	355,820
10 Multilateral development banks	-	-	57,008	375,656	-	432,664
11 International organisations	-	-	135,323	626,010	-	761,333
12 Institutions	303,328	1,921,327	3,932,091	311,774	184	6,468,704
13 Corporates	251,473	88,681	-	46	959	341,159
14 Retail	1,350,068	290,095	343,798	108,668	278	2,092,907
15 Secured by mortgages on immovable property	-	-	-	1,666,685	-	1,666,685
16 Exposures in default	863	645	1,696	252	28	3,484
17 Items associated with particularly high risk	-	-	-	-	875	875
18 Covered bonds	-	-	185,452	457,594	-	643,046
20 Collective investment undertakings ('CIUs')	-	12	-	-	410	422
21 Equity exposures	-	-	-	-	9,333	9,333
22 Other exposures	7	-	-	-	318,920	318,927
23 Total standardized approach	**4,201,298**	**3,630,088**	**8,831,697**	**14,011,931**	**355,666**	**31,030,680**
24 Total	**4,201,298**	**3,630,088**	**8,831,697**	**14,011,931**	**355,666**	**31,030,680**

The net value of exposures refers to on-balance-sheet exposures to credit risk, as defined by the CRR, and therefore excludes off-balance-sheet exposures and exposures to counterparty risk..

The column “No stated maturity” reports exposures that by their nature have no stated maturity, such as, for example, some of the assets recognised in the balance sheet under item 130 “Other assets” (net of tax assets), 90 “Property, plant and equipment” and 60 “Changes in fair value of portfolio hedged financial assets” of Assets. In line with Q&A 2016_2970, the compulsory reserve with the Bank of Italy has been reported in the bucket "on demand”.

Comparable disclosures of financial liabilities are provided in Part E – Information on risks and hedging policies of the Financial Statements at December 31, 2020.

Credit risk: credit risk adjustments

EU CR1-A – Credit quality of exposures by exposure class and instrument

	GROSS CARRYING VALUES OF		SPECIFIC CREDIT RISK ADJUSTMENTS (C)	GENERAL CREDIT RISK ADJUSTMENT (D)	ACCUMULATED WRITE-OFFS (E)	CREDIT RISK ADJUSTMENT CHARGES OVER THE PERIOD (F) ADJUSTMENT CHARGES	NET VALUES (A+B-C-D-E)
	DEFAULTED EXPOSURES (A)	NON-DEFAULTED EXPOSURES (B)					
15 Total IRB approach	-	-	-	-	-	-	-
16 Central governments or central banks	-	17,500,712	7,208	-	-	424	17,493,504
17 Regional governments or local authorities	-	441,929	112	-	-	-	441,817
18 Public-sectors entities	-	355,893	73	-	-	1	355,820
19 Multilateral development banks	-	432,692	28	-	-	-	432,664
20 International organisations	-	761,382	49	-	-	-	761,333
21 Institutions	-	6,485,966	94	-	-	147	6,485,872
22 Corporates	11	378,119	291	-	-	114	377,839
23 Of which: SMEs	-	6,059	2	-	-	1	6,057
24 Retail	25,460	3,494,868	30,985	-	-	9,307	3,489,343
25 Of which: SMEs	-	3,960	25	-	-	18	3,935
26 Secured by mortgages on immovable property	276	1,669,914	3,204	-	-	1,052	1,666,986
27 Of which: SMEs	-	75	-	-	-	-	75
28 Exposures in default	25,751	-	21,941	-	-	4,841	3,810
29 Items associated with particularly high risk	-	875	-	-	-	-	875
30 Covered bonds	-	643,103	58	-	-	71	643,045
32 Collective investment undertakings ('CIUs')	-	422	-	-	-	-	422
33 Equity exposures	4	9,333	-	-	-	-	9,337
34 Other exposures	-	318,928	-	-	-	-	318,928
35 Total standardised approach	**25,751**	**32,494,136**	**42,102**	**-**	**-**	**11,116**	**32,477,785**
36 Total	**25,751**	**32,494,136**	**42,102**	**-**	**-**	**11,116**	**32,477,785**
37 Of which: Loans	25,422	6,468,869	34,521	-	-	10,602	6,459,770
38 Of which: Debt securities	4	23,936,475	7,512	-	-	499	23,928,967
39 Of which: Off-balance sheet exposures	325	1,446,841	61	-	-	16	1,447,105

It should be noted that the exposures in default, which do not have a significant impact on the Group's overall exposures, have not changed significantly since 31 December 2019.

Please note that the amount indicated in row 28 is not included in the amount indicated in row 35 "Total with standardized approach", as defaulted exposures have been reallocated to the exposure class before default, in line with the EBA Q&A 2017_3481. The item “Other exposures” primarily include exposures recognised in items 130 “Other assets” (net of tax assets), 90 “Property, plant and equipment” and 60 “Changes in fair value of portfolio hedged financial assets” of Assets.

Template 1 (EBA/GL/2018/10) - Credit quality of forborne exposures

	GROSS CARRYING AMOUNT\NOMINAL AMOUNT OF EXPOSURES WITH FORBEARANCE MEASURES				ACCUMULATED IMPAIRMENT, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS		COLLATERAL RECEIVED AND FINANCIAL GUARANTEES RECEIVED ON FORBORNE EXPOSURES	
	PERFORMING FORBORNE	NON PERFORMING FORBORNE			ON PERFORMING FORBORNE EXPOSURES	ON NON PERFORMING FORBORNE EXPOSURES		OF WHICH COLLATERAL AND FINANCIAL GUARANTEES RECEIVED ON NON PERFORMING EXPOSURES WITH FORBEARANCE MEASURES
			OF WHICH DEFAULTED	OF WHICH IMPAIRED				
1 **Loans and advances**	**1,074**	**744**	**744**	**744**	**(33)**	**(549)**	**-**	**-**
7 Households	1,074	744	744	744	(33)	(549)	-	-
9 Loan commitments given	**19**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
10 Total	**1,093**	**744**	**744**	**744**	**(33)**	**(549)**	**-**	**-**

Forborne exposures detailed in the table above are attributable to Italy.

Credit risk: credit risk adjustments

Template 3 (EBA/GL/2018/10): Credit quality of performing and non-performing exposures by past due days

		GROSS CARRYING AMOUNT/NOMINAL AMOUNT											
		PERFORMING EXPOSURES			NON PERFORMING EXPOSURES								
			NOT PAST DUE OR PAST DUE <= 30 DAYS	PAST DUE > 30 DAYS <= 90 DAYS		UNLIKELY TO PAY THAT ARE NOT PAST DUE OR ARE PAST DUE <= 90 DAYS	PAST DUE > 90 DAYS <= 180 DAYS	PAST DUE > 180 DAYS <= 1 YEAR	PAST DUE > 1 YEAR <= 2 YEARS	PAST DUE > 2 YEARS <= 5 YEARS	PAST DUE > 5 YEARS <= 7 YEARS	PAST DUE > 7 YEARS	OF WHICH DEFAULTED
1	**Loans and advances**	**7,077,770**	**7,074,310**	**3,461**	**25,489**	**1,102**	**1,014**	**3,245**	**4,060**	**7,752**	**4,714**	**3,604**	**25,489**
2	Central banks	2,031,912	**2,031,912**	-	-	-	-	-	-	-	-	-	-
3	General governments	4	**4**	-	-	-	-	-	-	-	-	-	-
4	Credit institutions	509,015	**509,015**	-	-	-	-	-	-	-	-	-	-
5	Other financial corporations	353,216	**353,216**	-	9	2	-	-	-	1	5	1	9
6	Non-financial corporations	815	**814**	1	67	1	3	17	17	24	2	3	67
7	of which SMEs	401	**400**	1	64	1	3	16	17	23	2	3	64
8	Households	4,182,809	**4,179,349**	3,460	25,414	1,099	1,010	3,228	4,043	7,727	4,706	3,600	25,414
9	**Debt securities**	**23,936,467**	**23,936,467**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
11	General governments	16,462,424	**16,462,424**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
12	Credit institutions	7,474,044	**7,474,044**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
15	**Off-balance-sheet exposures**	**1,761,212**			**325**								**325**
18	Credit institutions	19,308			**-**								**-**
19	Other financial corporations	34,098			**-**								**-**
20	Non-financial corporations	267			**-**								**-**
21	Households	1,707,538			**325**								**325**
22	**Total**	**32,775,449**	**31,010,777**	**3,461**	**25,814**	**1,102**	**1,014**	**3,245**	**4,060**	**7,752**	**4,714**	**3,604**	**25,814**

As described above, defaulted exposures do not have a significant impact on the Group's total exposures, in fact the gross incidence of non-performing loans is 0.4% of total loans.

Credit risk: credit risk adjustments

Template 4 (EBA/GL/2018/10): Performing and non-performing exposures and related provisions

	GROSS CARRYING AMOUNT/NOMINAL AMOUNT						ACCUMULATED IMPAIRMENTS, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS						ACCUMULATED PARTIAL WRITEOFF	COLLATERAL AND FINANCIAL GUARANTEES RECEIVED	
	PERFORMING EXPOSURES			ESPOSIZIONI NON PERFORMING			PERFORMING EXPOSURES - ACCUMULATED IMPAIRMENT AND PROVISIONS			NON PERFORMING EXPOSURES - ACCUMULATED IMPAIRMENT, ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK AND PROVISIONS				ON PERFORMING EXPOSURES	ON NONPERFORMING EXPOSURES
		OF WHICH STAGE 1	OF WHICH STAGE 2		OF WHICH STAGE 2	OF WHICH STAGE 3		OF WHICH STAGE 1	OF WHICH STAGE 2		OF WHICH STAGE 2	OF WHICH STAGE 3			
1 **Loans and advances**	**7,077,770**	**7,064,493**	**13,278**	**25,489**	**-**	**25,489**	**12,652**	**8,894**	**3,758**	**21,958**	**-**	**21,958**	**-**	**3,336,532**	**461**
2 Central banks	2,031,912	2,031,912	-	-	-	-	87	87	-	-	-	-	-	-	-
3 General governments	4	4	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Credit institutions	509,015	509,015	-	-	-	-	27	27	-	-	-	-	-	1,122	-
5 Other financial corporations	353,216	353,032	184	9	-	9	204	73	130	7	-	7	-	25	-
6 Non financial corporations	815	814	1	67	-	67	2	2	-	49	-	49	-	496	-
7 of which SMEs	401	400	1	64	-	64	1	1	-	46	-	46	-	370	-
8 Households	4,182,809	4,169,716	13,093	25,414	-	25,414	12,333	8,706	3,628	21,902	-	21,902	-	3,334,889	461
9 **Debt instruments**	**23,936,467**	**23,936,467**	**-**	**-**	**-**	**-**	**7,512**	**7,512**	**-**	**-**	**-**	**-**	**-**	**5,738,917**	**-**
11 General governments	16,462,424	16,462,424	-	-	-	-	7,329	7,329	-	-	-	-	-	-	-
12 Credit institutions	7,474,044	7,474,044	-	-	-	-	183	183	-	-	-	-	-	5,738,917	-
15 **Off-Balance-sheet exposures**	**43,092**	**42,648**	**444**	**42**	**-**	**42**	**61**	**61**	**-**	**-**	**-**	**-**	**-**	**19,415**	**32**
18 Credit institutions	17,170	17,170	-	-	-	-	-	-	-	-	-	-	-	-	-
21 Households	25,922	25,478	444	42	-	42	60	60	-	-	-	-	-	19,415	32
22 **Total**	**31,057,330**	**31,043,608**	**13,722**	**25,531**	**-**	**25,531**	**20,225**	**16,467**	**3,758**	**21,958**	**-**	**21,958**	**-**	**9,094,864**	**492**

It should be noted that in the table above, "off-balance sheet exposures" are shown only if measured in accordance with IFRS9, unlike Table 3 "Credit quality of performing and non-performing exposures by past due days" in which all are shown.

Credit risk: credit risk adjustments

Template 5 (EBA/GL/2018/10): Quality of non-performing exposures by geography

	GROSS CARRYING/NOMINAL AMOUNT				ACCUMULATED IMPAIRMENT		PROVISIONS ON OFFBALANCE-SHEET COMMITMENTS AND FINANCIAL GUARANTEES GIVEN	ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NONPERFORMING EXPOSURES
		OF WHICH NON PERFORMING		OF WHICH SUBJECT TO IMPAIRMENT				
			OF WHICH DEFAULTED					
1 **On-balance-sheet exposures**	**31,039,727**	**25,489**	**25,489**	**31,039,677**	**-**	**25,489**		**-**
2 Italy	18,474,247	25,413	25,413	18,474,199	-	25,413		-
3 Spain	4,803,555	3	3	4,803,555	-	3		-
4 France	1,926,123	-	-	1,926,123		-		-
5 European International bodies	1,194,073	-	-	1,194,073		-		-
6 Ireland	998,000	-	-	998,000		-		-
7 United States	787,741	-	-	787,741		-		-
8 Belgium	654,697	-	-	654,697		-		-
9 Austria	610,628	-	-	610,628		-		-
10 Germany	518,103	-	-	518,102		-		-
11 Portugal	401,831	-	-	401,831		-		-
12 Other counties	670,730	72	72	670,729	-	72		-
13 **On-balance-sheet exposures**	**1,761,537**	**325**	**325**				**61**	
14 Italy	1,721,497	325	325				60	
15 United Kingdom	29,185	-	-				-	
16 Switzerland	2,753	-	-				-	
17 Other counties	8,102	-	-				1	
18 **Total**	**32,801,264**	**25,814**	**25,814**	**31,039,677**	**-**	**25,489**	**61**	**-**

The above table represents the countries in which FinecoBank has material exposures. Exposures equal to or less than 0.5% of total exposures have been included in "Other countries".

"Other counties" of "On-balance sheet exposures" groups together exposures in the following countries: Israel, United Kingdom, Switzerland, Saudi Arabia, China, Chile, Norway, Poland, Luxembourg, Finland, Bermuda, Russia, Romania, Netherlands, Nigeria, Thailand, Brazil, Philippines, Rep. South Africa, Malaysia, Vietnam, Australia, Canada, Abu Dhabi, Argentina, Sweden, Hungary, Singapore, Mexico, Czech Republic, San Marino, Tunisia, Monaco, Moldova, Turkey, India, Paraguay, Kazakhstan, Croatia, Uruguay, Vatican City, Malta, Uganda, Kenya, Morocco, Qatar, Albania, Greece, Colombia, Taiwan, Trinidad and Tobago, Bulgaria, Nicaragua, Slovakia, Peru, Dominican Republic, Ecuador, Libya, Ghana, Ethiopia, Panama, Uzbekistan, Zimbabwe, Iraq, Cyprus, Lithuania, Georgia, Japan, Denmark, Kuwait, Estonia, Venezuela, Bahrain, Serbia, Congo, Cambodia, Lebanon, New Zealand, Slovenia, Zambia, Iceland, Afghanistan, Hong Kong, Ukraine, Marshall Islands, Mauritius Islands, Pakistan, Egypt, Mongolia, Indonesia, Gibraltar, Equatorial Guinea, Senegal, Belarus, South Korea, Jordan, Sri Lanka, Bangladesh, Algeria, Tanzania, Latvia, Malawi, Montenegro, Costa Rica, Cayman Islands.

"Other counties" of "Off-balance sheet exposures" groups together exposures in the following countries: Switzerland, Germany, France, Abu Dhabi, Malaysia, Romania, Ireland, United States, Spain, Austria, Belgium, Malta, Canada, Thailand, Singapore, Nigeria, Portugal, San Marino, Republic of South Africa, Netherlands, China, Russia, Brazil, Poland, Qatar, Albania, India, Indonesia, Croatia, Norway, Georgia, Moldova, Kenya, Ethiopia, Ecuador, Zimbabwe, Australia, Tunisia.

Template 6 (EBA/GL/2018/10): Credit quality of loans and advances by industry

	GROSS CARRYING AMOUNT				ACCUMULATED IMPAIRMENT	ACCUMULATED NEGATIVE CHANGES IN FAIR VALUE DUE TO CREDIT RISK ON NONPERFORMING EXPOSURES
		OF WHICH NON PERFORMING		OF WHICH LOANS AND ADVANCES SUBJECT TO IMPAIRMENT		
			OF WHICH DEFAULTED			
1 Agriculture, forestry and fishing	**374**	**2**	**2**	**374**	**1**	**-**
3 Manufacturing	57	5	5	57	4	-
4 Electricity, gas, stream and air conditioning supply	1	-	-	1	-	-
5 Water supply	2	-	-	2	-	-
6 Construction	22	11	11	22	8	-
7 Wholesale and retail trade	38	16	16	38	13	-
8 Transport and storage	134	1	1	134	1	-
9 Accomodation and food service activities	7	4	4	7	3	-
10 Information and communication	18	7	7	18	6	-
12 Real estate activities	71	5	5	71	4	-
13 Professional, scientific and technical activities	40	9	9	40	6	-
14 Administrative and support service activities	103	3	3	103	3	-
16 Education	4	-	-	4	-	-
17 Human health services and social work activities	5	-	-	5	-	-
18 Arts, entertainment and recreation	4	2	2	4	1	-
19 Other services	1	1	1	1	-	-
20 **Total**	**882**	**67**	**67**	**882**	**51**	**-**

Template 9 (EBA/GL/2018/10) " Collateral obtained by taking possession and execution processes" is not shown because as at 31 December 2020 the Group had not recorded collateral obtained by taking possession in the financial statements.

Credit risk: credit risk adjustments

EU CR2-A – Changes in the stock of general and specific credit risk adjustments

		ACCUMULATED SPECIFIC CREDIT RISK ADJUSTMENT	ACCUMULATED GENERAL CREDIT RISK ADJUSTMENT
1	***Opening balance***	**-**	**(21,766)**
2	Increases due to amounts set aside for estimated loan losses during the period	-	(4,151)
3	Decreases due to amounts reversed for estimated loan losses during the period	-	1,894
4	Decreases due to amounts taken against accumulated credit risk adjustments	-	2,077
5	Transfers between credit risk adjustments	-	(1)
6	Impact of exchange rate differences	-	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	-	(11)
9	***Closing balance***	**-**	**(21,958)**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	-	10
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	-	(149)

Changes in the stock of credit risk adjustments shown above refer to adjustments held against loans that are impaired. There are no impaired debt securities.

EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities

		GROSS CARRY IN VALUE OF DEFAULTED EXPOSURES
1	***Opening balance***	**25,334**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	4,677
3	Returned to non defaulted status	(125)
4	Amounts written off	(2,225)
5	Other changes	(2,174)
6	***Closing balance***	**25,487**

Changes in stock shown above refer to adjustments held against loans that are impaired. Non sono presenti titoli di debito deteriorati. There are no impaired debt securities.

“Other changes” includes collections recognised in 2020 for a total of €2,885 thousand.

Public disclosure of exposures subject to measures applied in light of the COVID-19 crisis

With the communication of June 30, 2020, the Bank of Italy implemented the EBA Guidelines on reporting and public disclosure requirements on exposures subject to measures applied in light of the COVID-19 crisis (EBA/GL/2020/07), which are therefore also applicable to less significant banks and banking groups.
The following are the tables subject to public disclosure pursuant to the aforementioned EBA guidelines as at December 31, 2020.
Please note that Table 3 "Information on newly originated loans granted under the new public guarantee schemes introduced in response to the COVID-19 crisis" is not reported as it is lacking in values.
Table 1 includes loans for which the period of the legislative and non-legislative moratorium has not yet expired as of December 31, 2020; Table 2, on the other hand, also includes loans for which the moratorium period has already expired.

Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			Inflows to non-performing exposures
			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
Loans and advances subject to moratorium	17,405	**17,360**	**817**	**1,074**	**45**	**-**	**-**	**(104)**	**(67)**	**(2)**	**(27)**	**(36)**	**-**	**-**	**-**
of which: Households	17,405	17,360	817	1,074	45	-	-	(104)	(67)	(2)	(27)	(36)	-	-	-
of which: Collateralised by residential immovable property	15,014	15,014	817	1,025	-	-	-	(29)	(29)	(2)	(3)	-	-	-	-
of which: Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: Small and Medium-sized Enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: Collateralised by commercial immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

As described in the paragraph "Changes due to COVID-19", the loans subject to legislative moratorium include the initiatives of the Italian government that provide for the extension of the solidarity fund for first-time home mortgages (the so-called Gasparrini Fund) to employees, self-employed workers and freelance professionals, on the occurrence of certain conditions resulting from the restrictions adopted for the COVID-19 emergency. In these circumstances it is possible to suspend loan repayments for a temporary period of time and bear the payment of compensatory interest to the extent of 50% of the interest accrued on the residual debt during the period of suspension. The further 50% of the accrued interest is sustained by Consap with recourse to the Gasparrini Fund. With reference to non-legislative moratoria, the Group has adhered to the ABI-Association of Consumers Agreement for the suspension of loans to households following the COVID-19 pandemic (personal loans and mortgages other than those falling within the conditions for recourse to the CONSAP Fund), in line with the EBA Guidelines. The above initiatives exclusively regarded the Bank's customers belonging to the household sector.

Both moratoria, where there are no other elements not strictly related to the moratorium in question, have been recorded in the accounts by applying the so-called modification accounting, in line with ESMA guidelines, as the contractual amendments have been assessed as non-substantial. The Group carried out a qualitative assessment and considered that these support measures provide temporary relief to debtors affected by the COVID-19 pandemic, without significantly affecting the economic value of the loan. Considering that interest accrues on the amounts subject to postponement (100% borne by the customer in the case of ABI Agreement moratoria or 50% borne by the customer and 50% borne by Consap in the case of moratoria), no significant losses have been detected in terms of modification loss.

Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	541	35,154							
Loans and advances subject to moratorium (granted)	478	30,571	23,663	13,166	4,380	8,596	349	3,868	212
of which: Households		30,571	23,663	13,166	4,380	8,596	349	3,868	212
of which: Collateralised by residential immovable property		27,560	23,663	12,546	4,127	6,579	227	3,868	212
of which: Non-financial corporations		-	-	-	-	-	-	-	-
of which: Small and Medium-sized Enterprises		-	-	-	-	-	-	-	-
of which: Collateralised by commercial immovable property		-	-	-	-	-	-	-	-

Legislative moratoria may be granted for a maximum period of 18 months in total, while non-legislative moratoria may be granted for a maximum period of 9 months in total.

Credit risk: use of ECAI

For the purpose of determining credit risk weightings under the standardised approach, the Group adopts the ratings of the following external rating agencies: Moody's Investor Service, Standard & Poor's Rating Service and Fitch Ratings.
It should be noted that for the purposes of determining the capital requirement, in compliance with the regulations, where there are two assessments of the same client, the more prudent one is adopted, in the case of three assessments the intermediate one, if all the assessments are present, the second best one is adopted.

The following table shows the regulatory asset classes for which each ECAI is used with the characteristics of the reference ratings[3].

List of external rating agencies used

PORTFOLIOS	ECAI	FEATURES
Exposures versus central governments and central banks	**Moody's Investors Service; Standard & Poor's Rating Service; Fitch Ratings**	**Solicited and Unsolicited**
Exposures versus international organizations		
Exposures versus multilateral development banks		
Exposures versus covered bonds		

Process of transfer of the issuer or issue credit ratings to comparable assets not included in the regulatory trading book

In compliance with EU Regulation 575/2013 (CRR), the criteria have been defined, as described below, for the use of issue and issuer credit ratings for the assessment of exposure risks. In particular, the risk weighting assigned to the exposures has been determined, in general for all the regulatory portfolios, using the issue rating as the primary measure and then, when this is not available and the conditions established by the Regulation are met, through the use of the issuer rating.

For the quantitative disclosures required by Article 444(e) of the CRR, see Tables EU-CR4 "Standardised approach – Credit risk exposure and CRM effects", EU-CCR3 "Standardised approach – CCR exposures by regulatory portfolio and risk" and EU CR5 "Standardised Approach", shown in chapters "Credit risk: use of risk mitigation techniques" and "Counterparty risk".

[3] Solicited rating: the rating issued on the basis of a request by the rated subject and against a fee. Ratings issued in the absence of an application are equivalent to solicited ratings if the subject has previously obtained a solicited rating from the same ECAI. Unsolicited rating: a rating issued in the absence of a request by the rated entity and payment of a fee.

Credit risk: use of risk mitigation techniques

The Group recognizes two main forms of credit risk mitigation: funded credit protection and unfunded credit protection.

Funded credit protection is a credit risk mitigation technique whereby the reduction of credit risk on the Group's exposure derives from the right, in the event of a default by the counterparty or upon the occurrence of other specific credit-related events affecting the counterparty, to liquidate certain assets or certain amounts pledged as collateral.

Unfunded credit protection, on the other hand, is not based on the liquidation of assets held as collateral for the credit, but arises from the obligation of a third party to pay a certain amount in the event of default by the debtor or upon the occurrence of other specific credit-related events.

Both funded and unfunded credit protection can be acquired only as a subsidiary support of the credit line and must not be understood as replacement for the ability of the principal debtor to meet his obligations. For this reason, credit protection is subject to specific assessment within the credit application, together with the broader analysis of creditworthiness and the autonomous repayment capacity of the principal debtor.

Credit protection is a recognized regulatory tool used by credit institutions to reduce credit risk associated with their exposures. In accordance with Regulation 575/2013 (CRR), the Group only recognizes funded credit protection for regulatory purposes.

The Group uses funded credit protection both to mitigate a series of guaranteed products offered to its retail customers, and to mitigate functional exposures towards institutional counterparties. The first category includes mortgage loans secured by real estate collateral on residential properties and overdraft facilities secured by a pledge on securities.

With regard to functional exposures, we report by way of example the pledge agreement "Pledge Agreement", described in the previous paragraphs, signed with UniCredit S.p.A., aimed at hedging exposures to the latter. This mitigation tool ensure compliance with the regulatory limit on large exposures enshrined in art. 395 of regulation 575/2013 (CRR), eaven after the deconsolidation of FinecoBank S.p.A. by the UniCredit Banking Group.

The Group has implemented the regulatory requirements on CRM (Credit Risk Mitigation) by issuing the "Collateral Management Policy", drawn up in accordance with supervisory provisions. This rule pursues several objectives:

- ensure a proper management of guarantees;
- maximize the mitigating effect of funded and unfunded credit protection on defaulted loans;
- get a positive impact on capital requirements, ensuring that CRM practices comply with the minimum requirements set by prudential regulation;
- set general rules for the eligibility, evaluation, monitoring and management of collateral (funded credit protection) and personal guarantees (unfunded credit protection), and provide specific rules and requirements for the different types of collateral.

Policies and processes for, and an indication of the extent to which the entity makes use of, on- and offbalance sheet netting

In line with the provisions of the CRR Regulation, balance sheet netting of reciprocal claims between the company and its counterparty is considered eligible collateral if it is legally valid and enforceable in all relevant jurisdictions. This includes in the event of default or bankruptcy of counterparty, and if they meet the following operational conditions:

- provide for the netting of gains and losses on transactions cleared under the master agreement so that a single net amount is owed by one party to the other;
- fulfil the minimum requirements for recognition of financial collateral (valuation requirements and monitoring).

The Group applies balance sheet netting to repurchase agreements and reverse repurchase agreements executed on the MTS market.

Regarding off-balance sheet netting, the Group mainly uses netting instruments on derivatives, repurchase agreements and securities lending with institutional counterparties. The goal is to reduce risk and gain benefits in terms of lower capital absorption through netting agreements signed with specific counterparties, the effectiveness of which depends on the selection of suitable assets to be considered eligible for mitigation purposes. Relationships with institutional counterparties are governed by standardised and recognised market contracts such as the ISDA Master Agreement, Global Master Stock Lending Agreement and Global Master Repurchase Agreement.

Policies and processes for collateral valuation and management

The assessment of the collateral value is based on the current market price or the estimated amount which the underlying asset could reasonably be liquidated for (i.e. fair value of the pledged financial instrument or the mortgaged real estate).

As far as funded financial collateral is concerned, the securities generally accepted under pledge are:

- bond instruments listed on regulated markets and sufficiently liquid to be sold promptly if necessary;
- shares listed on regulated markets that are part of one of the world's leading stock indices;
- corporate stocks and mutual funds shares with at least daily listing.

Since these are always listed financial instruments, the financial collateral is assessed through the market price. To determine the amount of the credit line, this value is adjusted by an appropriate margin that protects the Group from the expected fluctuations in the value of the guarantee over time. In the case of overdrafts facilities secured by pledge, the margin is determined based on the riskiness of the security deposit given as collateral.

All pledged financial instruments are monitored daily by operating units to promptly detect any reduction in the collateral value on individual credit lines.

It should be noted that, for the purpose of mitigating exposures to Unicredit SpA, the Bank, under the 'Pledge Agreement' described above, also accepts assets backed securitised (ABS) not subject to re-securitisation, which comply with the minimum requirements under the prudential regulations for CRM purposes. In this regard, please note that in January 2020 UniCredit SpA replaced some of the sovereign bonds, pledged as collateral under the Pledge Agreement, with the 'Impresa2 FRN 20/12/2061 Asset Backed' security, issued by Impresa Two Srl as part of a securitisation transaction under Law 130/99 relating to trade receivables sold and repurchased by UniCredit SpA. This security meets the requirements of the applicable legislation to be eligible for credit risk mitigation (CRM) techniques, resulting in a reduction in risk-weighted exposures and in the exposure amount relevant for the Large Exposures limits.

With specific reference to real estate collateral, the Group accepts substantial first level real estate mortgages on residential properties located in Italy. The fair value of the latter is based on market data, analysis and evidence of appropriate comparisons, as well as the professional judgment of a real estate appraiser. The appraisal is carried out by external technicians enrolled in the Register of Engineers, Architects, Surveyors or industrial experts and aimes at identifying the degree of marketability of the properties offered as guarantee, in relation to location, construction characteristics, real estate class, quality of construction materials and state of maintenance.

The maximum amount that can be financed with respect to the value of the property is equal to 80% (Loan To Value), however this ratio may be reduced depending on the purpose of the loan (as a way of example, for liquidity mortgages, the maximum LTV is reduced to 60%).

The value of the real estate guarantees is monitored through a data flow exchanged with an external supplier with proven ability and reputation in detecting and measuring the market prices of Italian real estate assets. In line with prudential provisions, if the monitoring shows evidence of significant reductions in value, a new appraisal shall be carried out on the property.

The principles for the management of real estate guarantees are described in the local policy "Granting of mortgages with residential real estate collateral to current account holders of FinecoBank S.p.A.".

Main types of guarantor and credit derivative counterparty and their creditworthiness

No data to report.

Information about market or credit risk concentrations within the credit mitigation taken

There is concentration risk when a large part of collateral financial assets (at portfolio level) is concentrated in a small number of collateral types, of protection arrangements, or when a small group of specific providers of collateral (a single entity or reference industrial sector) provide it or when there is lack of proportion in the volume of collateral assumed.

Concentration on pledged securities collateralizing overdraft facilities is monitored by the following processes/mechanisms:

- the valuation of the pledged collateral is based on fair value, i.e. the market value for the financial instruments listed in a regulated market. The resulting value is subject to percentage haircuts, differentiated on the basis of the financial instruments used as collateral and the concentration of the instrument in the customer's portfolio provided as collateral;
- the Risk Management Function performs periodic second level controls on credit concentration risk: in particular, as far as overdraft facilities assisted by financial collateral are concerned, the Function carries out an analysis considering the number of issuers and the amount of guarantees.

Credit risk: use of risk mitigation techniques

EU CR3 – CRM techniques – Overview

	EXPOSURES UNSECURED – CARRYING AMOUNT	EXPOSURES TO BE SECURED - CARRYING AMOUNT	EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES
1 Total loans	3,731,302	3,337,349	3,336,747	-	-
2 Total debt securities	18,190,039	5,738,917	5,738,917	-	-
3 Total exposures	**21,921,341**	**9,076,266**	**9,075,664**	**-**	**-**
4 Of which defaulted	21,270	461	460	-	-

Secured exposures include exposures secured by real estate amounting to €1,668,244 thousand.

With reference to the remaining guaranteed exposures, it should be noted that the related guarantees have been considered eligible as CRM techniques pursuant to Part Three, Title II, Chapter 4 of the CRR, for the purposes of reducing capital requirements, for an amount of €7,013,619 thousand, represented mainly by debt securities, units of UCITS and equity securities.

EU CR4 – Standardised approach – Credit risk exposure and CRM effects

	EXPOSURES BEFORE CCF E CRM		EXPOSURES POST CCF E CRM		RWA AND RWA DENSITY	
	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	RWA	RWA DENSITY
1 Central governments or central banks	17,493,504	-	17,493,504	-	163,894	0.9%
2 Regional governments or local authorities	441,817	-	441,817	-	-	0.0%
3 Public-sectors entities	355,820	-	355,820	-	-	0.0%
4 Multilateral development banks	432,664	-	432,664	-	-	0.0%
5 International organisations	761,333	-	761,333	-	-	0.0%
6 Institutions	6,468,702	17,170	729,785	2	159,127	20.8%
7 Corporates	341,159	36,677	169,612	502	170,115	100.0%
8 Retail	2,092,908	1,392,859	1,143,489	2,890	859,784	75.0%
9 Secured by mortgages on immovable property	1,666,685	75	1,666,685	15	583,912	35.0%
10 Exposures in default	3,485	325	3,410	3	3,417	100.1%
11 Exposures associated with particularly high risk	875	-	875	-	1,312	150.0%
12 Covered bonds	643,045	-	643,045	-	66,458	10.4%
14 Collective investments undertakings ('CIU')	422	-	422	-	422	100.0%
15 Equity exposures	9,333	-	9,333	-	9,333	100.0%
16 Other exposures	318,928	-	318,928	-	318,920	100.0%
17 Total	**31,030,680**	**1,447,106**	**24,170,722**	**3,412**	**2,336,694**	**9.7%**

The net value of the exposures refers to on-balance sheet assets or off-balance sheet items that give rise to credit risk as defined by the CRR, therefore exposures subject to counterparty risk are excluded.

For changes in pre-CCF and CRM exposures, please refer to the information reported below the table " EU - CRB-B Total and average net exposure value“.

With reference to post CCF and CRM exposures, there has been a reduction in exposures to Entities which, in addition to the gradual reduction in exposures to UniCredit S.p.A., benefited from the risk mitigation applied following the signing of the “Pledge Agreement” mentioned above.

RWA density is equal to 9,7%, higher than the 10,6% as of December 2019.

Credit risk: use of risk mitigation techniques

EU CR5 – Standardised approach

EXPOSURE CLASSES	RISK WEIGHT										
	0%	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**TOTAL**	**OF WHICH UNRATED**
1 Central governments or central banks	17,066,551	-	348,278	-	48,748	-	3,301	-	26,626	17,493,504	-
2 Regional government or local authorities	441,817	-	-	-	-	-	-	-	-	441,817	441,817
3 Public-sectors entities	355,820	-	-	-	-	-	-	-	-	355,820	355,820
4 Multilateral development banks	432,664	-	-	-	-	-	-	-	-	432,664	432,664
5 International organizations	761,333	-	-	-	-	-	-	-	-	761,333	761,333
6 Institutions	-	-	1,068,928	-	43,889	-	5,373,055	-	-	6,485,872	6,485,872
7 Corporates	-	-	-	-	-	-	377,836	-	-	377,836	377,836
8 Retail	-	-	-	-	-	3,485,767	-	-	-	3,485,767	3,485,767
9 Secured by mortgages on immovable property	-	-	-	1,662,917	3,843	-	-	-	-	1,666,760	1,666,760
10 Exposures in default	-	-	-	-	-	-	3,549	261	-	3,810	3,810
11 Exposures associated with particularly high risk	-	-	-	-	-	-	-	875	-	875	875
12 Covered bonds	-	621,513	21,532	-	-	-	-	-	-	643,045	-
14 Collective investments undertakings	-	-	-	-	-	-	422	-	-	422	422
15 Equity	-	-	-	-	-	-	9,333	-	-	9,333	9,333
16 Other exposures	7	-	-	-	-	-	318,921	-	-	318,928	318,928
17 Total	**19,058,192**	**621,513**	**1,438,738**	**1,662,917**	**96,480**	**3,485,767**	**6,086,417**	**1,136**	**26,626**	**32,477,786**	**14,341,237**

Counterparty risk

Counterparty risk is defined as the risk that the counterparty of a transaction may not fulfill its financial obligations before the final settlement of cash flows of the transaction itself. The counterparties of such transactions may not fulfill their financial obligation for different reasons, i.e. insolvency, political and economic events, lack of liquidity, operational deficiency or for other reasons.

According to the current legislation, the exposures generating counterparty risk are:

- over-the-counter (OTC) financial and credit derivative instruments;
- securities Financing Transactions (SFT), such as repurchase agreements and securities lending transactions;
- transactions with medium / long-term settlement.

The exposures in OTC derivatives that the Group holds with institutional counterparties are concluded mainly for hedging purposes. Specifically, these mainly consist of interest rate swaps, aimed at ensuring compliance with the interest rate risk limits for the banking book.

The largest SFT exposures hold by the Group include repurchase agreements traded on MTS market and securities lending. Securities lending operations include the following:

- “Stock Lending”, i.e. securities lending transactions guaranteed by a cash collateral which falls within the full economic availability of the lender and which, from an accounting point of view, are equivalent to repurchase agreements transactions. This activity is mostly functional to the trading services offered by FinecoBank to its retail customers;
- “Collateral Switch”, agreements signed with institutional counterparties that provide for the exchange of financial collateral with a view to optimizing the proprietary portfolio;
- “Unsecured lending”, agreements signed with institutional counterparties that do not provide for the exchange of financial real guarantees.

Both the activity in OTC derivatives and "Stock Lending", "Collateral Switch" and "Unsecured Lending" transactions are regulated by standard contracts that provide for a form of bilateral clearing (ISDA for derivatives and GMSLA for Stock Lending).

Repurchase agreements on the MTS market consist in the simultaneous exchange with the counterparty of active and passive repurchase agreements, having the same maturity, and represents a source of short-term liquidity. This activity is cleared by “Cassa di Compensazione e Garanzia” and is subject to on-balance sheet netting in accordance with IAS 32.

The Group generally does not hold medium- and long-term settlement transactions other than derivatives.

Institutional counterparties with which the Group carries out credit business comply with the minimum standards set by the Global Policy “Lending Activities with Financial Institutions, Banks, Sovereign States and Corporate counterparties”. The rule also provide a mechanism for allocating ceilings (plafond) at Group level which allows the Parent Company to establish limits on the maximum exposure towards each individual "Economic Group", thus controlling the absorption in terms of internal capital. Risk limits are established according to a prudential approach, always in compliance with the regulatory limits on large exposures. Compliance with the assigned ceilings and the regulatory limits is ensured both by business and operating units through line controls and by control functions through second level controls.

In order to determine the value of counterparty risk exposures, the Group uses the integral standardized method for SFT transactions and the current value method for OTC derivatives. According to this method, for each set of assets, the credit equivalent is calculated by adding the replacement cost and the future credit exposure (so-called "add-on"). The replacement cost of each contract is given by its fair value, if positive. The fair value is positive if the Group has a credit position towards its counterparty. The credit exposure takes into account the probability that in the future the current value of the contract, if positive, may increase, or if negative, may turn into a credit position. This probability is linked to the volatility of the underlying market factors as well as to the maturity of the contract.

Counterparty risk

EU CCR1 - Analysis of CCR exposure by approach

	NOTIONAL	REPLACEMENT COST/CURRENT MARKET VALUE	POTENTIAL FUTURE CREDIT EXPOSURE	EEPE	MULTIPLIER	EAD POST CRM	RWA
1 Mark to market		3,174	6,057			979	978
2 Original exposure	-					-	-
3 Standardised approach		-			-	-	-
4 IMM (for derivatives and SFTs)				-	-	-	-
5 Of which securities financing transaction				-	-	-	-
6 Of which derivatives and long settlment transactions				-	-	-	-
7 Of which from contractual cross-product netting				-	-	-	-
8 Financial collateral simple method (for SFTs)						-	-
9 Financial collateral comprehensive method (for SFTs)						1,061,162	222,695
10 VaR for SFT						-	-
11 Total						**-**	**223,673**

Please note that exposures subject to the CVA requirement and exposures cleared through CCPs are excluded.

EU CCR2 – CVA capital charge

		EXPOSURE VALUE	RWA
1	Total portfolios subject to the advanced method	-	-
2	VaR component (including the 3x multiplier)		-
3	VaR component (including the 3x multiplier)		-
4	All portfolios subject to the standardised method	3.437	1.001
EU4	Based on the original exposure method	-	-
5	Total subject to the CVA capital charge	3.437	1.001

EU CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk

EXPOSURE CLASSES	RISK WEIGHT						
	2%	20%	50%	75%	100%	TOTALE	OF WHICH UNRATED
6 Institutions	255,465	1,051,108	438	-	15,722	1,322,733	1,322,733
7 Corporates	-	-	-	-	34,635	34,635	34,635
8 Retail	-	-	-	196,629	-	196,629	196,629
10 Other exposures	-	-	-	-	57	57	57
11 Total	**255,465**	**1,051,108**	**438**	**196,629**	**50,414**	**1,554,054**	**1,554,054**

EU CCR8 – Exposures to CCPs

		EAD POST CRM	RWA
1	**Exposures to QCCPs (total)**		**10,876**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	256,354	5,287
3	(i) OTC derivatives	101,104	2,022
4	(ii) exchange traded derivatives	1,012	180
5	(iii) SFT	154,239	3,085
9	Prefunded default fund contributions	153,860	5,589
11	**Exposures to non-QCCP (total)**		-

There was an increase in RWA towards QCCPs mainly due to repurchase agreements on the MTS.

EU CCR5-A – Impact of netting and collateral held on exposure values

	GROSS POSITIVE FAIR VALUE OR NET CARRYING AMOUNT	NETTING BENEFITS	NETTED CURRENT CREDIT EXPOSURE	CREDIT EXPOSURE COLLATERAL HELD	NET CREDIT EXPOSURE
1 Derivatives	1,898	-	1,898	1,540	358
2 SFT subject to prudential netting agreements	1,122	1,122	-	-	-
3 SFTs subject to netting in the balance sheet	2,169,122	2,169,122	-	-	-
4 Cross product netting	-	-	-	-	-
5 Total	2,172,142	2,170,243	1,898	1,540	358

SFTs subject to netting on the balance sheet refer to repurchase agreements executed on the MTS market. It should also be noted that at 31 December 2020 there were swap derivative contracts with a positive fair value of €17,105 thousand and a negative fair value of €214,388 thousand, for which a variation margin of €191,536 thousand was paid, which are not shown in the table above because they were cleared with a Direct Participant of a Central Counterparty. These exposures were subject to the prudential treatment provided for in article 305 of Regulation (EU) no. 575/2013
For full information on clearing in accordance with IAS 32, please refer to the 2019 Financial Statements, Part B - Information on the balance sheet - Liabilities - Other information in the consolidated financial statements.

EU CCR5-B – Composition of collateral for exposures to CCR

	COLLATERAL USED IN DERIVATIVE TRANSACTIONS				GARANZIA REALE UTILIZZATA IN SFT	
	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF POSTED COLLATERAL		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF POSTED COLLATERAL
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Total	-	1,540	-	-	-	-

The table above shows only the guarantees provided and received in respect of assets recognised in the financial statements for derivative and SFT transactions. The fair values of collateral received and provided in respect of transactions for which the current offset credit exposure is zero have not been reported.

There are no exposures represented by credit derivatives, therefore the dedicated tables are not represented in this section.

For further details on the type and counterparties of derivative contracts held by the Group, please refer to the 2020 Financial Statements, Part E - Section 2 - Risks of the Prudential Consolidation, paragraph 1.3 "Derivatives and hedging policies" of the Notes to the Consolidated Financial Statements.

Operational risk

As of December 31, 2020, for the purposes of calculating the regulatory requirement for operational risk, the Group applies the Standardized Approach. Although the adoption of the standardised approach does not require it, the Group maintains the governance, controls and reporting framework of the AMA method, previously adopted for measuring the capital requirement within UniCredit Group. This choice was made both to ensure better monitoring and control of operational and reputational risks, and in view of the future adoption of the new Standardized Measurement Approach (SMA) foreseen by the Basel framework, which envisages the use of internal loss data to calculate the regulatory requirement.

As required by Article 317 of the CRR, to determine the own funds requirements for operational risk under the Standardised Approach, the institution shall divide its activities into the regulatory business lines and classify the relevant Indicator in the business line concerned. The annual Own Funds requirement for each Business Line is equal to the product of the relevant Indicator classified in the Business Line for the corresponding beta factor. The Own Funds Requirement for operational risk is calculated as a three-year average of the sum of the annual Own Funds Requirement for all business lines.

The relevant indicator, on which the standardised methodology for determining the own funds requirement for operational risk is based, is calculated as the sum of the positive and negative elements listed below:

- interest receivable and similar income;
- interest payable and similar charges;
- income from shares and other variable/fixed-yield securities;
- commissions/fees receivable;
- commissions/fees payable;
- net profit or net loss on financial operations;
- other operating income.

These elements are corrected based on specific requirements defined in the legislation (Article 316 CRR).

To calculate the own funds requirement under the Standardised Approach, the Group's assets have been classified in the following business lines, based on a procedure approved by the Board of Directors, and in line with the principles set out in Articles 317 (Table 2) and 318 of the CRR.

	Business Line	Beta Factor
1	Corporate Finance	18%
2	Trading and sales	18%
3	Retail brokerage	12%
4	Commercial banking	15%
5	Retail banking	12%
6	Payment and settlment	18%
7	Agency services	15%
8	Asset management	12%

At 31 December 2020, the capital requirement for operating risks calculated in accordance with the method described above was €95,590 thousand. The increase from December 31, 2019 is attributable to the update of the Relevant Indicator with the inclusion of 2020 revenues and the exclusion of 2017 revenues. The table below shows the FinecoBank Group's Relevant Indicator and the annual Capital Requirements for operational risk for each year considered in the average.

	2018	2019	2020	Average
Relevant Indicator	723,720	758,937	877,800	
Capital requirement	89,691	92,739	104,339	**95,590**

Market risk

As described in the chapter Risk management objectives and policies, to which you can refer for more details on governance, roles and responsibilities attributed to the Group Corporate bodies and functions, market risk arises from the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can have on the economic value of the Group's portfolio. The latter includes both assets held in the trading book (assets held for trading) and in the banking book, i.e. the transactions connected to strategic investment choices.

Market risk in the Group is measured through two sets of limits:

- market risk comprehensive measures (such as the Value at Risk): their goal is to set limits to the internal capital absorption and the acceptable economic loss for trading activities; such limits are consistent with the assigned revenue budget and the Risk Taking Capacity undertaken;
- market risk granular measures (sensitivity limits on stressed scenarios and nominal values): such measures act in parallel with the overall limits, providing a more effective and focused control of different types of risk, portfolios and products. The levels set for granular limits, which are generally associated with granular sensitivities or stress scenarios, aim to control the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

The main tool used by the Group to measure market risk on trading positions is Value at Risk (VaR), calculated using the historical simulation method.

The historic simulation method involves the daily revaluation of positions based on market price trends over an appropriate observation period. The resulting distribution of profit and losses is analysed to determine the effect of extreme market fluctuations on portfolios. The percentile value of the distribution corresponding to the set confidence level represents the VaR. The following parameters are used to calculate VaR: confidence level 99%; time horizon of 1 day; daily update of the time series; observation period of 250 days.

The primary responsibility for monitoring and controlling Market Risk management in the banking book lies with the Group's competent Bodies. The Risk Management of the Group is responsible for monitoring market risk on the banking book by defining the structure, the relevant data and the frequency for adequate reporting.

Market risk in the banking book mainly consists of credit spread risk, interest rate risk and exchange rate risk.

Credit spread risk mainly arises from investments in debt securities held for liquidity purposes. Market risk associated with the bond portfolio is monitored and subject to limits on the notional amount, on Economic Value sensitivity and on the Value at Risk.

Interest Rate Risk is managed with stabilization purposes. Interest rate risk mesurement in the banking book covers the dual aspect of the value and the net interest income/expense of the Group. More precisely, the different, and complementary, perspectives involve:

- Economic value perspective: variation in interest rates can affect the economic value of assets and liabilities. The economic value of the Group can be viewed as the present value of the expected net cash flows, defined as the expected cash flows on assets minus the expected cash flows on liabilities. A relevant risk measure from this perspective is the economic value sensitivity per time bucket for a 1 basis point rate shock. This measure is recorded in order to assess the economic value impact of various changes in the yield curve. The economic value sensitivity is also calculated for a 200bp parallel shock. A monitoring variable from this perspective is the value at risk resulting from interest rate risk exposure only;
- Income perspective: the focus of the analysis is the impact of changes of interest rates on Net Interest Income that is the difference between revenues generated by interest-sensitive assets and the cost related to interest-sensitive liabilities. An example of a risk measure used is Net Interest Income sensitivity for a parallel shock in rates equal to 100bp positive and for 30bp negative. Such measure provides evidence of the impact on the net interest income over the next 12 months if such shock should occur.

For further details on interest rate risk, please refer to the chapter “Exposures to interest rate risk on positions not included in the trading portfolio”.

Forex risk mainly arise from a mismatching of assets and liabilities in USD. Exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

Market risk

EU MR1 – Market risk under the standardised approach

		RWA	CAPITAL REQUIREMENTS
1	**Outright products**		
2	Interest rate risk (general and specific)	10,737	859
3	Equity risk (general and specific)	32,309	2,585
4	Foreign exchange risk	77	6
5	Commodity risk	1,621	130
6	**Options**		
7	Simplified approach	-	-
8	Delta-plus method	-	-
9	Scenario approach	-	-
10	Securitizations (specific risk)	-	-
11	Total	44,744	3,580

The capital requirements relating to market risk do not have a significant impact on the Group's capital requirements.

Exposures in equities not included in the trading book

Exposure Differentiation by objective

The Group's exposures in equity instruments not included in the trading book, excluding those consolidated on a line-by-line basis, are classified under 'Financial assets designated at fair value through profit or loss' and 'Financial assets designated at fair value' and 'Financial assets designated at fair value through profit or loss' under IAS/IFRS.

The item “Financial assets at fair value with impact on comprehensive income” includes equity interests in companies in which the Group does not exercise control or significant influence held to establish a commercial relationship with the issuer, for which the “FVTOCI”[4] option has been exercised.

The item “Financial assets designated at fair value through profit or loss c) Financial assets at fair value” is used on a residual basis to include the financial assets held by the Group which are not included either in the previous item or in the trading portfolio. In particular, this includes equity instruments accounted for as a result of contributions paid to the Voluntary Scheme set up by the Interbank Deposit Protection Fund and the preferred shares of Visa INC (class “C” and class “A”). There are also defaulted securities and small amounts withdrawn from customers to offer them a service and UCITS units deriving from seeding activities carried out by the subsidiary Fineco AM.

Description of accounting techniques and valuation methodologies

Equity investments

Investments in associates and companies subject to joint control are recognised using the equity method. Investments recognised using the equity method include any goodwill (less any impairment loss) paid for their acquisition. The interest in the comprehensive income from the investee is recognised:

- in the Income Statement under item '220. 'Profit (loss) of equity investments', if it relates to profit/loss after the date of acquisition;
- under other comprehensive income, if it relates to changes in the company's revaluation reserves.

Any dividends distributed reduce the carrying amount of the equity investment. If the interest in the investee company's losses is equal to or more than its carrying amount, no further losses are recognised, unless specific contractual obligations have been assumed towards the investee or payments have been made to it. Gains and losses on transactions with associates or joint arrangements are eliminated according to the percentage interest in the company itself. Any changes in the revaluation reserves of associates or joint arrangements, which are recorded as a contra item to changes in value of the events relevant to this purpose, are reported separately in the Statement of Comprehensive Income.

At 31 December 2020, the Group did not hold investments in associates or companies subject to joint control.

Financial assets measured at fair value

A financial asset, which is not a financial asset held for trading, is classified among the financial assets to be measured at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for measurement at amortised cost or at fair value with an impact on comprehensive income.

In particular, this portfolio includes:

- debt instruments, securities and loans held within a business model whose objective is not the possession of assets aimed at collecting contractual cash flows (Held to Collect), nor the possession of assets aimed at both collecting contractual cash flows and selling financial assets (Held to Collect & Sell) and which are not financial assets held for trading;
- debt instruments, securities and loans whose cash flows are not merely the payment of capital and interest;
- units in investment funds (UCITS);
- equity exposures for which the Group does not exercise the option granted by the standard, of valuing these instruments at fair value with an impact on total profits.

Financial assets measured at fair value are initially recognised on the settlement date for debt securities, equity instruments and UCITS units and on the disbursement date for loans, at their fair value. This normally corresponds to the consideration paid, excluding transaction costs and revenues which are immediately recognised in the income statement even if directly attributable to these financial assets. After initial recognition these financial assets are measured at their fair value in the consolidated income statement.

A gain or loss arising from sale or redemption or a change in the fair value of a HfT financial asset is recognised in the consolidated income statement in item 110 “Profits (Losses) on other financial assets and liabilities measured at fair value through profit or loss b) other financial assets designated at fair value.”.

Financial assets measured at fair value with impact on comprehensive income

A financial asset is classified among financial assets valued at fair value with an impact on total profits if:

[4] Regarding non-trading equity instruments, IFRS 9 provides for the possibility of measuring them at the fair value recognised through other comprehensive income (socalled FVTOCI – fair value through Other Comprehensive Income).

- the objective of its business model is pursued through both the collection of contractual cash flows and the sale of financial assets (“heldto-collect and sell”);
- the contractual terms of the financial asset provide, at certain dates, for cash flows represented only by payments of principal and interest on the principal amount outstanding.

This item also includes equity instruments, not held for trading purposes, for which at the time of initial recognition, i.e. upon initial application of the standard, the Group exercised the option to designate at fair value with an impact on comprehensive income.

Financial assets measured at fair value with an impact on comprehensive income are initially recognised, at the settlement date for debt and debt securities and at the disbursement date for loans, at their fair value. This normally corresponds to the consideration for the transaction including transaction costs and revenues directly attributable to the instrument itself. After initial recognition, the profits and losses from changes in fair value of the equity exposures are recognised in the schedule of overall profits and shown in item “120 Valuation reserves” in consolidated shareholders’ equity.

In compliance with IFRS 9, impairment losses on equity instruments are not recognised in the income statement.

In the case of sale the cumulative profits and losses are recognised in item 150.'Reserves' in consolidated shareholders' equity.

Exposure Type/values	Balance Sheet exposure		Fair value		Realized Gains/Losses		Unerned gains/losses		Unerned gains/losses (booked in Balance Sheet)	
	level 1	level 2/3	level 1	level 2/3	Gains	Losses	Gains	Losses	Gains	Losses
Financial assets at fair value through other comprehensive income	-	5	-	5	-	-	-	-	-	-
Financial assets at fair value through (other than those available for sale)	417	10,521	417	10,521	83	(2)	4,786	(4,899)		

It should be noted that the market price of listed securities does not differ from its fair value.

Exposure to interest rate risk on positions not included in the trading book

General aspects, management processes and measurement methods of interest rate risk

Interest rate risk consists of changes in interest rates which are reflected:

- on interest margin and, consequently, on the Group's profits;
- on the net present value of assets and liabilities, affecting the present value of future cash flows.

The Group measures and monitors interest rate risk on a daily basis within the methodological framework and the related limits or thresholds approved by the Board of Directors. These concern the sensitivity of the interest margin and the economic value.

Interest rate risk affects all positions resulting from strategic investment decisions (banking book).

The main sources of interest rate risk can be classified as follows:

- gap risk: it arises from the term structure of the banking book and describes the risk emerging from the timing of the rate changes on the instrument. The "gap" risk also includes the repricing risk, a risk deriving from timing discrepancies in terms of repricing of the Group's assets and liabilities. These discrepancies entail a risk linked to the interest rate curve. Such risk is related to the Group's exposure to variations, in the inclination and shape, of the interest rate curve;
- basis risk: it can be divided into two types of risk:
  - tenor risk, derives from the mismatch between the maturity of the instrument and the change in interest rates;
  - currency risk, defined as the risk of a potential offset between interest rate sensitivity arising from interest rate risk exposures to different currencies;
- option risk – risk deriving from implicit or explicit options held in the banking book positions.

Within the organizational context of the Group, the Board of Directors set interest rate risk limits. Such limits are defined in terms of VaR (calculated using the methodology described above in the chapter relating to Market Risk). It is the responsibility of the Parent Company to manage the exposure to interest risk within the assigned limits. In order to assess the effects of changes in the interest rate curve on the banking book, scenario analyzes envisage parallel shifts of the rate curve of +/- 100 bps and +/- 200 bps on a weekly basis; the six standardized scenarios as defined by the relevant EBA guidelines are also conducted with the same frequency.

Sensitivity

In order to measure the interest rate risk inherent in the Group's financial statements, it is necessary to measure the sensitivity of loans and deposits to changes in the interest rate curve. FinecoBank has developed specific behavioral models aimed at estimating the maturity profile of asset and liability items that do not have a contractual maturity; in fact some items, perceived as collectible at sight, are actually subject to viscous behavior.

The following summary table shows the results of the analysis carried out in all currencies.

(Amounts in € thousand)

	VALUE ANALYSIS (SHIFT + 200 BP)	VALUE ANALYSIS (SHIFT - 200 BP)	VALUE ANALYSIS (SHIFT +1 BP)	IRVAR*	INTEREST RATE ANALYSIS (+100 BP)	INTEREST RATE ANALYSIS (-30 BP)
2020.12.31	-14,412	2,704	-409	-4,156	128,299	-34,585

*1 day *holding period*, 99% confidence level

The sensitivity analysis on the value of assets, carried out assuming a shift equal to + 200 basis points on the euro interest rate curve, shows a negative impact that stands at €-14,412 thousand. A shift of -200 basis points shows a positive impact of €+2,704 thousand.

The sensitivity analysis on the value of assets assuming a shift of + 1 basis point highlights a negative impact which amounts to a total of €-409 thousand. The Group's Interest Rate VaR stands at approximately €4,156 thousand.

The total VaR, including the Credit Spread Risk component deriving mainly from sovereign government bonds, held for liquidity purposes and including the Credit Spread Risk of Unicredit bonds, is €174,391 thousand. The sensitivity analysis on interest margin, carried out assuming a shift equal to +100 basis points on the interest rate curve, shows a positive impact of 128.299 thousand euros. A shift of -30 basis points would have a negative impact on the interest margin over the next 12 months of €-34.585 thousand.

Liquidity risk

The Group's purpose is to maintain liquidity at a level that allows to conduct the main operations safely, finance its activities at the best rate conditions in normal operating circumstances and always remain in a position to meet payment commitments. In particular, the investment policy consider as a priority, among all prudential criteria, the liquidability of the instruments; the outcome of this policy translates into liquidity indicators exceeding by far minimum regulatory requirements.

On the 5th of November 2019 the Group approved its “Group liquidity Policy” applicable both to the parent company and to its legal entitie. The aim of the policy is to define rules and principles which will govern liquidity and liquidity risk management within the group. More specifically the policy describes:

- the liquidity and liquidity risk management both in business as usual and contingency situation;
- the controls performed at frist and second levl of the three line of defense model involving respectively Treasury and Risk management Units;
- the Group governance i.e roels and responsibilities of the internal bodies and functions of the parent company and its legal entities.

The policy has been updated and approved with the new contents on the 17th September 2020. The main amendment introduced is related to the Contingency liquidity management process which has been aligned with Group’s Recovery Plan and Capital Contingency Policy.

The operational management of liquidity is carried out by the Treasury department, which ensures effective and efficient management of liquidity in the short and medium/long term, monitoring of liquidity exposure and first-level controls on the management process.

The Risk management function is responsible for monitoring compliance with limits and implementing the rules on liquidity risk, the implementation of selected risk metrics and the assessment of selected methods.

To this end the "Group Liquidity Policy" explicitly refers to the first and second level monitoring, both from a regulatory and management standpoint:

- Short-term liquidity risk management (operational liquidity), which considers the events that may impact upon the Group's liquidity position from one day up to one year. The primary objective is to maintain the Group's capacity to fulfil its ordinary and extraordinary payment obligations while minimising the relevant costs. To that extent on a daily basis, the Group calculates the Operative Maturity Ladder, which measures the cash inflows and outflows affecting the monetary base, with details of the main temporal buckets. Focus is on the Adjusted Cumulative Gap as the Group’s objective is to provide sufficient short-term liquidity to deal with a particularly adverse liquidity crises for at least three months During 2020 pandemic crisis FinecoBank didn’t experience any adverse liquidty event and any significant impact on liquidity reserves and on ordinary and extraordinary fudning sources. The Groups’s Counterblancing Capacitty has not been negatively impacted by the pandemic and the Adjusted Cumulative Gap increased despite all mainly due to the fresh Government bonds purchases;
- Structural liquidity risk management (structural risk), which considers the events that may impact upon the Group's liquidity position over one year. The primary objective is to maintain an adequate ratio between medium/long term liabilities and medium to long-term assets, with a view to avoiding pressures on short-term funding sources (both current and future). To this end, the Group adopts a prudent approach to its investments of liquidity, taking into account funding maturities. The indicator used and monitored as part of the wider Risk Appetite Framework (NSFR) ensures that assets and liabilities have a sustainable maturity structure. The NSFR is defined as the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year.The ASF and the RSF are calculated applying specific weights to the on- and off-balance positions of the Group. Starting from june 2021 the regulator will require a NSFR above 100% To properly manage structural liquidty and to correctly estimate interest rate risk and relative hedgings, the Group considers all assets and liabilities, all off balnce positions and all present and future events generating cash flows both known or forecasted..By doing so the Group seaks an hedging towards risks coming from maturity transformation. To that extent FinecoBank has developed specific managerial behavioural models aimed at defining a bucketing of the liabilities without a contractually defined maturity (sigh deposits). Many on call lialbilities, infact, present higher than expected trend stickiness. More specifically liabilities modelling is aimed at building a maturity profile better reflecting behavioural maturites of th different funding sources. For example for on call liabilities the estimate of the maturity profile is based on the perceived stickiness. Behavioural models are developed by parental company Risk Management Department and got validated by Group’s Internal Validation Departement;
- Stress testing activity which is a risk management tool used to evaluate the potential effects of a specific event on an entity's financial position. Liquidity risk is a low probability, high impact event. Therefore stress testing is a tool able to reveal potential vulnerabilities. The Group periodically carries out scenario analysis using several scenarios ranging from general market crisis to idiosyncratic crisis, and combinations thereof. As requested by Bank of Italy with a specific communicaton dated 21 april 2020 (“Adempimenti ICAAP/ILAAP e piani di risanamento”),, to properly address the COVID 19 pandemic crisis, during 2020 Geoup added stress testing analysis based on additional and extraordinary pandemic scenarios (both baseline and adverse). The outcomes of such additional scenarios analysis did not show any criticality or relevant impacts for the Group, as proprietary ILAAP scenarios regularly carried out by FinecoBank are characterized by a stricter severity level higher than the one on which specific COVID 19 secnarios are based. The results of the stress testing analysis performed using the pandemic revised assumptions returned regulatory ratios well above limits and targets set in the Risk Appetite Framework.

Liquidity risk

Contingency Liquidity Management

The contingency liquidity management framework, detailed in the "Group Liquidity Policy", is composed by:

- the *Contingency Funding Plan* (CFP);
- the *Contingency Plan* on the liquidty risk (specific operational model).

The Contingency Funding Plan is drafted and approved on a yearly basis alongside and in accorance with the financial budgeting process. The CFP defines the Group's available set of liquidity management measures (detailed in terms of forecasted volumes and time of execution) to be activated in case of funding constraints and tensions. The CFP can be updated during the year in case of unforeseen events and changes in the financial markets environment that might put the plan's execution at risk. FinecoBank fist drafted its own Group CFP in January 2020 (prior to that date, as part of Unicredit Group, the CFP was drafted on a consolidated level by the parental company Unicredit SpA) and in the course of the year no event gnerated the need to update or change the plan. To that extent not even the enduring pandemic situation generated any material impact on the liquidity management measures and the forecasted associated volumes, both in a"business as usual" or contingency situation.

The Contingency Plan on liquidity risk defines the instruments to monitor and confront liquidity crisis in order to provide the Grouyp with an efficient operational model able to timely tackle liquidity tensions minimizing the relative potential negative impacts.

More specifically the Contingency Plan sets:

- the list and the charachteriscs of the indictaors monitored to early detect potential liquidity criis, both idyosincratic or systemic (i.e primary and secondary indicatos considered also in the Group's Recovery Plan framework, Early Warning Indicators);
- the engagement and escalation process to be followed by the internal departemnts in charge of the crisis management together with the realtive emergency and communication procedures (i.e. definition of the actors involved and of the relative roles and responsibilities).

Internal Liquidity Adequacy Assessment Process (ILAAP)

In accordance with prudential provisions, the Group annually assesses the adequacy of the liquidity governance and management framework (ILAAP process) and gives appropriate disclosure to the Competent National Authority according to the terms established by the relevant legislation.

Liquidity Coverage Ratio – "LCR"

The Liquidity Coverage Ratio (LCR) is the regulatory metric of liquidity under stress introduced by the Basel Committee. The indicator is calculated as the ratio of high-quality liquid assets (HQLA) to expected net cash flows for the next 30 days under stress conditions. Compliance with this regulatory requirement is constantly monitored by setting internal limits within the risk appetite framework that are above the minimum regulatory level of 100%. The Liquidity Coverage Ratio (LCR), introduced by Basel 3 prudential regulation, is a short time indicator which aims to ensure that credit institutions maintain an adequate liquidity buffer to cover the net liquidity outflows under severe conditions of stress over a period of 30 days. The regulatory framework applied is represented by:

- with reference to the requirements to be met:
  - CRR Article 412 "Liquidity coverage requirement";
  - Commission Delegated Regulation (EU) 2016/61 of 10 October 2014 that lays down rules to specify in detail the liquidity coverage requirement provided for in CRR Article 412(1). In particular, for each year of the transition period, the requirement that all institutions authorised in Italy have to meet is equal to 100%;
  - Commission Implementing Regulation (EU) 2016/322 of 10 February 2016 laying down implementing technical standards concerning the supervisory reporting of institutions of the liquidity coverage requirement.
- with reference to the disclosure information to be published:
  - CRR Article 435 which defines the disclosure requirements for each separate category of risk, including the key ratios (letter f);
  - EDTF ('Enhancing the risk disclosures of banks') recommendation n° 4 that requires the disclosure of key ratios (included LCR), once the applicable rules are finalised;
  - EBA Guidelines 2017/01, published in March 2017 and applicable from 31 December 2017, relating to the full set of LCR disclosure.

Liquidity risk

EU LIQ1 – LCR Disclosure template

(€/mln)

	Totale valore pesato			
Scope of consolidation	Consolidated	Consolidated	Consolidated	Consolidated
Quarter ending on	31 March 2020	30 June 2020	30 September 2020	31 December 2020
Number of data points used in the calculation of averages	12	12	12	12
21 Liquidity buffer	14,570	15,530	15,812	16,207
22 Total net cash outflows	1,480	1,753	1,837	1,913
23 Liquidity Coverage Ratio (%)	1,041%	902%	871%	858%

Qualitative information on LCR, which complements the LCR disclosure template

Currency mismatching

The Group operates mainly in euro. EU regulations prescribe the monitoring and the comunications of a foreign currencies LCR if the aggregated liabilities denominated in foreign currencies can be considered significant i.e. equal or higher than the 5% of the overall balance sheet liabilities of the Group. For Fineco Group at 31 december 2020 the only significant currency is euro.

Concentration of the funding sources

Funding sources concentration risk may arise if and when the Group can count on a limited amount of funding channels that can cause liquidity tensions in case of disruptance of one of them.

FinecoBank's funding profile is characterised by its multi-channel nature and consists mainly of sight deposits raised from retail customers; the Bank's funding is therefore not under threat from the withdrawal of cash from a limited number of counterparties or the disappearance of a single funding channel.

Sight deposit based financing, even if collected in a widespread and granular manner from customers, may nevertheless expose the Bank to a concentration in terms of maturity (on call). In order to govern and mitigate this risk, Fineco regularly moniotrs specific indicators (such as the Net Stable Funding Ratio), both regulatory and managerial.

In addition, FinecoBank has developed the Sight Deposit Model and the related controls, as well as specific and more stringent stress testing activities and monitoring of the level of sight deposits' stability. The Sight Deposit Model is a statistical model whose objective is to estimate the portion of assets that the customer consistently holds in cash, defined as the ratio of cash in the customer's current account to the total financial assets held by the customer at the Bank., At the same time, the model estimates the amount of fixed-rate sight deposits considered to be consistently held despite of rate changes ("Core Insensitive") that can be used to finance fixed-rate loans.

Risk Management verifies on a monthly basis that the liquidity held by the Bank within the year complies with the results of the Sight Deposit Model.

As an additional funding source, being an active counterparty of monetary policy open market ECB operations, FinecoBank can access the central bank refinancing operations. The enduring easing stance of the ECB monetary policy caused by the macroeconimic scenario let FinecoBank increase its funding sources by participating to the sixth tranche of the Targeted Longer Term Refinancing Operations III (TLTRO III) program for the overall amount of €950 mln.

Derivative exposures and potential collateral requirements

FinecoBank trades derivatives both with clearing houses and individual third counterparts (OTC) based on several underlying assets to hedge the following risk factors: move in interest rates, foreign exchange rates and securities market prices.

Upon signing of the contract and in occasion ofchanges in market conditions the Groups liquidity got impacted by the obligation to provide proper marginingof the derivatives position. The Group is obliged to pay inital and daily variation margins using cash or liquid collateral.

FinecoBank is able to estimate and control the daily requested margining using specific tools made available by clearing broker. FinecoBank monitors also the correct and punctual execution of the margin payments both cash and via collateral placement. In the last case Treasury identifies the securities to be used as collateral to be then showed in the encumbered assets reports.

The sensitivity is calculated on a daily basis by using the Group's ALM tool and it enables the estimation of the potential liquidty outflows generated by specific shocks of the market curve.

Other liquidity risks not relevant within the LCR information model but considered significant by the Group for its own specific liquidity profile

Being a payment system participant, even if indirect as FinecoBank, implies the availability of proper intraday liquidity risk management procedues.

Making good use of internal and external available IT systems Treasury deprtament actively manages intraday liquidity flows and guarantees the fullfilment of al payment and settlement obligations, both in ordinary and stresse liquidity conditions.

FinecoBank's main intraday obligations come from the Central bank requirements related to activity of the HAM account held with the Bank of Italy and from the requirements imposed by the third banks offering the correspondent banking services.

FinecoBank Group adopts a basic strategical liquidity management which implies the the concentration of its payment capacity on HAM account (only euro) and on specific correspondent banking accounts held with third banks offering cash managemnt services (non euro currencies and residual euros).

Treasury department monitors daily and in real time that the balances of the above mentioned accounts (with a specific focus on beginning and close of business balances) to guarantee:

- Group's ordinary and extraordinary liquidty outlows and punctual execution of eachpayment obligation with a particular focus on the recurring and time specific ones;
- Compliance with assigned limits;
- Compliance with regulatory and operational principles ruling the relationship with Central Bank (mainly minimum reserve requirements).

In order to guarantee business continuity also in crisis situations, the internal process detailing intraday liquiidty management is part of the Business Continuity Plan and includes proper specific back up and contingency measures.

Uncumbered and unencumbered assets

This chapter provides general descriptive information on all forms of encumbrance on the Group's activities, as provided for by Regulation (EU) No. 575/2013 of the European Parliament and Council and supplemented by Delegated Regulation (EU) 2017/2295 concerning regulatory technical standards in the reporting on encumbered and unencumbered assets.

This disclosure is provided using four templates, three in tabular form (A, B, C). Its purpose is to show the amounts of the Group's encumbered and unencumbered assets, distinguishing between assets necessary to support loans or the need for existing collateral and assets that are available for any financing needs. A fourth template (D) contains descriptive information accompanying the first three templates.

Please note that the amounts shown in the tables below represent the median values, which correspond to the median of the sum of the four end-ofperiod quarterly values for the last twelve months.

Template A — Encumbered and unencumbered assets

		CARRYING AMOUNT OF ENCUMBERED ASSETS	FAIR VALUE OF ENCUMBERED ASSETS	CARRYING AMOUNT OF UNENCUMBERED ASSETS	FAIR VALUE OF UNENCUMBERED ASSETS
		010	040	060	090
010	**Assets of the reporting institution**	**3,567,908**		**25,998,526**	
030	Equity instruments	-		16,901	
040	Debt securities	3,183,653	3,262,388	19,766,372	19,418,728
050	of w hich: covered bonds	-	-	835,895	674,071
070	of which: issued by general governments	3,068,383	3,145,089	11,751,656	11,159,587
080	of w hich: issued by financial corporations	134,901	137,303	8,014,717	8,451,475
120	Other assets	384,255		6,215,253	
121	of which: Loans other than sight financing	384,255		4,085,349	

Template B — Collateral received

		FAIR VALUE OF ENCUMBERED COLLATERAL RECEIVED OR OWN DEBT SECURITIES ISSUED	UNENCUMBERED - FAIR VALUE OF COLLATERAL RECEIVED OR OWN DEBT SECURITIES ISSUED AVAILABLE FOR
		010	040
130	**Collateral received by the reporting institution**	**128,150**	**1,897,749**
150	Equity instruments	127,603	207,592
160	Debt securities	547	1,690,157
170	of which: covered bonds	-	201,582
190	of which: issued by general governments	-	1,110,905
200	of which: issued by financial corporations	547	579,251
250	**Total assets, collateral received and own debt securities issued**	**3,696,058**	

Please note that the fair value of collateral received includes securities received in repurchase agreements and securities lending and borrowing transactions.

Template C — Sources of encumbrance

		MATCHING LIABILITIES, CONTINGENT LIABILITIES OR SECURITIES LENT	ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED OTHER THAN COVERED BONDS AND ABSs ENCUMBERED
		010	030
010	**Carrying amount of selected financial liabilities**	**1,728,473**	**3,696,058**
011	of which: Derivates	191,254	201,985
012	of which: repurchase agreements	1,505,213	1,909,292
013	of which: collateralized deposits	32,005	7,087

Template D — Accompanying narrative information

Collateral pledged consists mainly of Government bonds used:

- as underlying assets in Repo transactions traded on MTS market and in bilateral unsecured lending e collateral switch trades;
- as collateral deposited on the central bank pool account as a guarantee for the issuance of cheques and for the participation to the monetary policy open market operations;
- as collateral pledged by clearing houses (CCP) or other financiual insitutions (CSD) to access the relative services and to obey margination requirements,(both initial and variation) connected to Repo and Derivatives transactions.

Collateral received consists mainly of:

- bonds, shares amd OICR quotes received as a guarantee of current account overdraft lines;
- government bonds received as underlying assets in Repo transactions traded on MTS market;
- bonds and shares received as underlying assets in unescured lending and collateral switch transactions;
- the specific asset backed bond "Impresa2 FRN 20/12/2061 Asset Backed" ” received as part of the Pledge Agreement signed with former parental comoany Unicredit Spa to mitigate the exposure towards the former Group.

The main FinecoBank Group’s source of encumbrance consist of the passive MTS traded Repo transactions and of the central bank refinincing operations (TLTRO III). It’s worth pointing out that there are no intra group deals generating encumbrance sources.

FinecoBank considers as non available for encumbrance during business as usual opeations all matreial and immaterial, fiscal and hedging assets included in row 120 “Other assets” of Template A “Encumbered and unencumbered assets”' other than loans and represented mainly by property, plant and equipment, intangible assets, tax assets and hedging derivatives are not encumbered in the normal course of business.

Leverage

The Basel III supervisory regulations introduced obligations on the calculation, reporting, and publication of the leverage ratio, forming an additional regulatory requirement to risk-based indicators.

The leverage ratio has the following objectives:

- restricting the build-up of leverage in the banking sector;
- enhancing capital requirements with a further, simple and not risk-based measure.

The ratio is calculated in accordance with the rules laid down by "Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to the leverage ratio".

This disclosure is also provided in accordance with the provisions of "Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council."

Contents

Article 429 of the CRR defines the leverage ratio as the Bank's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage ratio between:

- Tier 1 capital;
- the total exposure of the Bank, equal to the sum of the exposure values of all assets and off-balance sheet items not deducted from Tier 1 capital.

The total exposure includes (article numbers refer to the CRR):

- Derivatives measured according to the mark-to-market method as per Article 274;
- Security Financing Transactions (SFTs) – exposure to which is calculated as sum of counterparty risk (i.e. exposure less collateral and the accounting value of the transaction;
- "Off-balance" sheet exposures – measured at nominal value, after deducting credit risk adjustments converted with credit conversion factors relating to financial leverage, as per article 111;
- Other Assets different to derivatives and SFTs – measured at the carrying amount net of additional value adjustments and other Own Funds reductions relative to the asset item as per article 111.

The qualitative and quantitative disclosure given below is provided according to the rules and templates set out in the final draft of the aforementioned ITS on the Disclosure.

Please note that the comparative figures as at December 31, 2019 have been restated and differ from the figures reported in the Public Disclosure - Pillar III as at December 31, 2019, as they have been recalculated taking into account the revocation of the 2019 dividend distribution resolved by the Board of Directors on April 6, 2020 and the consequent proposal, approved by the Shareholders' Meeting on April 28, 2020, to allocate the entire profit for fiscal year 2019 to reserves.

LRCom: Leverage ratio common disclosure

The table shows the leverage ratio as of December 31, 2020, compared with the data as of December 31, 2019, and the breakdown of total exposure into the main categories, in accordance with the provisions of Article 451 paragraph 1, letters a), b) and c) of the CRR. With reference to the provisions contained in the CRR Quick-fix, it should be noted that the Group has not exercised the option to apply the transitional regimes contained therein, consequently the FinecoBank Group's own funds, capital and leverage ratio as at 31 December 2020 already fully reflect the impact of unrealized gains and losses measured at fair value recognized in other comprehensive income in light of the COVID-19 pandemic and the introduction of IFRS 9; in addition, exposures to central banks are included in the measure of total exposure. Therefore, row EU19-b of the table "LR Com: Leverage ratio common disclosure" is devoid of values and the changes introduced by EBA/GL/2020/11 are not published.

		CRR LEVERAGE RATIO EXPOSURES 2020.12.31	CRR LEVERAGE RATIO EXPOSURES 2019.12.31
	On-balance sheet exposures(excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	31,600,529	27,847,453
2	(Asset amounts deducted in determining Tier 1 capital)	(94,949)	(102,944)
3	**Total on-balance sheet exposures (excluding derivatives and SFT) (sum of lines 1 and 2)**	**31,505,580**	**27,744,509**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	20,815	37,274
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	92,429	67,995
UE-5a	Exposure determined under Original Exposure Method	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(191,536)	(39,920)
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**(78,292)**	**65,349**
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	156,135	164,428
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14	CCR exposure for SFT assets	1,019,590	9,022
UE-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-	-
15	Agent transaction exposures	-	-
UE-15a	(Exempted CCP leg of client-cleared SFT exposure)		
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**1,175,725**	**173,450**
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	1,454,199	1,290,369
18	(Adjustments for conversion to credit equivalent amounts)	(1,265,085)	(1,121,647)
19	**Off-balance sheet exposures (sum of lines 17 and 18)**	**189,114**	**168,722**
	Exempted exposures in accordance with Article 429 (7) and (14) of Regulation (EU) No 575/2013		
UE19-a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)	-	-
UE19-b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	-	-
	Capital and total exposure measure		
20	Tier 1 capital	1,588,909	1,278,083
21	Total leverage ratio exposure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	32,792,127	28,152,030
22	**Leverage ratio**	**4.85%**	**4.54%**
	Choice on transitional arrangements and amount of derecognised fiduciary items		
UE-23	Choice on transitional arrangements for the definition of the capital measure	Transitional	Transitional
UE-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No. 575/2013	-	-

Leverage

Summary reconciliation of accounting assets and leverage ratio exposures

The table reconciles the leverage ratio denominator with figures reported under the relevant accounting standards, as required by Article 451(1)(b) of the CRR.

		APPLICABLE AMOUNTS 2020.12.31	APPLICABLE AMOUNTS 2019.12.31
1	Total assets as per published financial statements	31,755,012	28,022,907
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	(100,647)	26,064
5	Adjustments for securities financing transactions	1,019,590	9,022
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	189,114	168,722
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-	-
7	Other adjustments	(70,942)	(74,685)
8	**Leverage ratio exposure**	**32,792,127**	**28,152,030**

Item 7 “Other adjustments” includes deductions from Tier 1 relative to balance-sheet assets (transitional arrangements).

Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

For exposures other than Derivatives and SFTs, the table provides the breakdown by class of counterparty, according to the provisions of article 451(1)(b) of the CRR.

		CRR LEVERAGE RATIO EXPOSURES 2020.12.31	CRR LEVERAGE RATIO EXPOSURES 2019.12.31
UE-1	**Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:**	**31,850,809**	**27,807,535**
UE-2	Trading book exposures	13,644	4,706
UE-3	Banking book exposures, of which:	31,837,165	27,802,829
UE-4	Covered bonds	643,045	544,598
UE-5	Exposures treated as sovereigns	19,509,146	15,505,830
UE-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	441,817	-
UE-7	Exposures to institutions	6,902,686	8,056,095
UE-8	Exposures secured by mortgages of immovable properties	1,666,685	1,155,923
UE-9	Retail exposures	2,092,907	1,914,503
UE-10	Corporate exposures	341,159	283,768
UE-11	Exposures in default	3,485	3,574
UE-12	Other exposures (e.g. equity, securitisations and other non-credit obligation assets)	236,235	338,538

Leverage

Description of the factors that had an impact on the leverage ratio during the period

The Leverage Ratio increased to 4.85% as of December 31, 2020 from 4.54% reported at December 31, 2019 , recalculated considering 2019 earnings allocated to reserves.

Total exposures showed an increase mainly due to the growth of the business, in particular current account deposits from customers and securities lending activity.

Processes used to manage the risk of excessive leverage

The Group's Risk Appetite Framework is the foundation for the management of the FinecoBank Group risks. The Framework sets out governance mechanisms, processes, instruments and procedures for the overall management of the Group's risks. Leverage risk is covered by the Risk Appetite Framework and therefore is subject to the control procedures and mechanisms set out therein.

The quantitative instruments for measuring leverage risk derive from the Risk Appetite Framework, which also includes the Leverage Ratio. This KPI has its own appetite, tolerance and capacity that are regularly monitored through reporting processes. The results of periodic monitoring and the reports are submitted to the Board of Directors.

Gli strumenti quantitativi per valutare il *Leverage risk* provengono dal *Framework di Risk Appetite* che include anche l'indicatore di *Leverage Ratio*. Questo KPI ha i propri livelli di *appetite*, *tolerance* e *capacity* che sono monitorati regolarmente su base periodica attraverso un'attività di *reporting*. Il monitoraggio e il *reporting* periodico è presentato al Consiglio di Amministrazione.

The Risk Appetite process sets out governance processes, management engagement and escalation processes to be used in normal operating conditions and under stress. Escalation processes are activated at the appropriate organisational level to ensure an adequate reaction when thresholds are exceeded.

Remuneration policy

The information on the Group's remuneration policies is set out in the “Remuneration policy and report”, available on FinecoBank's website at: www.finecobank.com, to which express reference is made.

The Report includes all the information required by Article 450 of the CRR, subsequently amended by CRR II, regarding the remuneration policy and practices relating to the categories of personnel whose professional activities have a significant impact on the Group's risk profile.

Glossary

AMA (Advanced Measurement Approach)

Applying this methodology, operational risk requirement is obtained using calculation models based on operational loss data and other evaluation elements collected and processed by the Bank. Admittance threshold and specific suitability requirements have been established for the use of the standard and advanced approaches. For the AMA approach the requirements regard the measurement system, as well as the management system.

Risk Weighted assets

See the item "RWA – Risk Weighted Assets".

Banking book

Used in relation to financial instruments, particularly securities, this term identifies the portion of those portfolios intended for "proprietary" activities.

Basel 2

International agreement on the capital requirements of banks in relation to the risks assumed by them. This agreement has been adopted, at national level, by the respective competent supervisory authorities, including the Bank of Italy. The new prudential regulations, which came into force in Italy in 2008, are based on three pillars.

- Pillar 1: while the objective of a level of capitalisation equivalent to 8% of the risk-weighted exposures remains unchanged, a new set of rules has been established for measuring the typical risks associated with banking and financial activities (credit risk, counterparty risk, market risk and operational risk) which provides for alternative calculation methods characterised by different levels of complexity, with the ability to use internally developed models subject to prior authorization by the Supervisory Authority;
- Pillar 2: it requires banks to have processes and tools for determining the adequate level of total internal capital (Internal Capital Adequacy Assessment Process - ICAAP) for covering all types of risk, including risks other than those covered by the overall capital requirement (Pillar I), within the framework of an evaluation of current and future exposure that takes account of strategies and of changes in the reference context. It is the Supervisory Authority's task to examine the ICAAP process, formulate an overall judgement and, where necessary, apply the appropriate corrective measures;
- Pillar III: introduces obligations to publish information concerning capital adequacy, exposure to risks, and the general characteristics of the systems used for identifying, measuring and managing those risks.

Basel 3

International agreement amending Basel 2 adopted in December 2010, containing amendments to the prudential rules on the capital and liquidity of banks, with the gradual entry into force of the new capital requirements from January 1, 2014 until December 31, 2019. These rules have been implemented at European level through the CRD IV "Package".

Internal Capital

Level of capital required to cover losses that could occur with a one-year horizon and a certain probability or confidence level with respect to a specific risk.

Total Internal Capital

It represents the amount of capital required to meet potential losses and is needed to support business activities and positions held. Total Internal Capital is the sum of internal capital against the Group's relevat risks.

Common Equity Tier 1 Capital or CET 1

The Common Equity Tier 1 under Basel 3, mainly consisting of ordinary paid-up capital, the related share premium, operating profit, reserves and other regulatory adjustments, as provided for by the CRR regulation and the Supervisory Regulations (both during the transitional period and fully loaded).

Tier 1 Capital

Tier 1 capital consists of Common Equity Tier 1 capital (CET1) and Additional Tier 1 capital (AT1).

Tier 2 Capital

Tier 2 capital is mainly composed of eligible subordinated liabilities and any excess of adjustments over and above expected losses (the excess reserve) for positions weighted according to IRB approaches. Specific transitional provisions (grandfathering) have also been established for subordinated instruments that do not meet the requirements envisaged in the new Basel 3 regulatory provisions, aimed at the gradual exclusion of instruments no longer regarded as eligible from own funds (over a period of eight years).

Glossary

CFO

Chief Financial Officer.

Credit rating

The class that depends on external ratings and is used to assign risk weights under the standard credit risk approach.

CLO

Chief Lending Officer.

Covered bond

Bond which, as well as being guaranteed by the issuing bank, may also be covered by a portfolio of mortgages or other high-quality loans transferred, to this end, to a suitable SPV – Special Purpose Vehicle.

CRD (Capital Requirement Directive)

EU Directives 2006/48 and 2006/49, adopted by Bank of Italy circular 263/2006 of December 27, 2006 as amended. The CRD IV "Package" has replaced the two aforementioned Directives and consists of the EU Directive 2013/36 on the taking up of the business of credit institutions and prudential supervision and the EU Regulation 575/2013 on prudential requirements, adopted by the Bank of Italy circular 285 of December 17, 2013 as amended.

Impaired loans

Loans and receivables are reviewed periodically in order to identify those that, following events occurring after initial recognition (at market value, which is, usually, equal to the amount paid including transaction costs and income directly attributable to the disbursement of the credit) show objective evidence of possible impairment. These include a loans to which the status of non-performing, unlikely to pay and past due has been assigned, according to the Bank of Italy rules in line with the IAS/IFRS (see item).

CRM - Credit Risk Mitigation

Credit Risk Mitigation is a set of techniques, ancillary contracts to the loan or other instruments (e.g. securities, guarantees), which reduces credit risk capital requirements.

CRO

Chief Risk Officer.

Default

A party's declared inability to honor its debts and/or the payment of the associated interest.

EAD – Exposure At Default

Relating to the on-balance and off-balance sheet positions, EAD is defined as the estimation of the future value of an exposure at the time of the debtor's default. Only banks that meet the requirements for adopting the "IRB – Internal Rating Based" advanced approach are allowed to estimate EAD (q.v.). Other banks are required to refer to regulatory estimations.

EBA - European Banking Authority

The European Banking Authority is an independent EU Authority which works to ensure effective and consistent prudential regulation and supervision across the European banking sector.

ECAI - External Credit Assessment Institution

External Credit Assessment Institution.

ECB - European Central Bank

European Central Bank. The ECB is the central bank for Europe's single currency, the euro.

Expected Losses

The losses recorded on average over a one year period on each exposure (or pool of exposures).

Glossary

Non performing exposures

According to the EBA Implementing Technical Standards, non-performing exposures are all on-balance-sheet and off-balance-sheet exposures that satisfy either or both of the following criteria:

material exposures which are more than 90 days past due;
exposures for which the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

Past-due and/or overdrawn impaired exposures

On-balance sheet exposures, other than those classified as non-performing or unlikely to pay that are past due or overdrawn at the reporting date. The past due and/or overdrawn impaired exposures may be determined, alternatively, with respect to the individual debtor or the individual transaction. Specifically, they represent the total exposure to any borrower not included in the unlikely to pay and non-performing loans categories, who at the reporting date has expired facilities or unauthorised overdrafts that are more than 90 days past due and meet the requirements set out by local supervisory regulations for their classification under the "past due exposures" category (TSA banks) or "defaulted exposures" (IRB banks).

Fair value

The price at which an asset can be traded or a liability settled in a free-market transaction between independent parties at arm's length.

Total Capital

The own funds of a bank consist of a series of regulatory defined items (excluding the negative items to be deducted), classified based on capital quality and loss absorbing capacity. From January 1, 2014, after the CRR came into force, Own Funds consists of the sum of Tier 1 capital and Tier 2 capital.

Forbearance/Forborne exposures

According to the EBA Implementing Technical Standard, forborne exposures are exposures in respect of which forbearance measures have been extended, consisting of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

IAS/IFRS

International accounting standards issued by the International Accounting Standard Board (IASB), a private international body established in April 2001, involving representatives of the accounting professions of the principal countries and, as observers, the European Union, IOSCO (International Organization of Securities Commissions) and the Basel Committee. This body is the successor of the International Accounting Standards Committee (IASC), set up in 1973 to promote harmonization of the rules for the preparation of company accounts. When the IASC became the IASB, it was decided, among other things, to name the new accounting principles "International Financial Reporting Standards" (IFRS). At international level, work is currently underway to harmonize the IAS/IFRS with the US GAAP – United States Generally Accepted Accounting Principles (q.v.).

ICAAP – Internal Capital Adequacy Assessment Process

See "Basilea 2 – Pillar 2".

Impairment

Within the framework of the IAS/IFRS (q.v.), this refers to the loss of value of a balance sheet asset, recorded when the book value is greater than the recoverable value, i.e. the sum that can be obtained by selling or using the asset..

Unlikely to Pay

On-balance and off-balance sheet exposures that meet the definition of unlikely to pay, which do not meet the conditions to be classified as bad loans. The classification as "unlikely to pay" derives from the assessment of the debtor's unlikeliness (without actions such as realisation of collateral) to repay fully his credit obligation (principal and/or interest). This assessment is made independently of any past due and unpaid amount (or instalment). The classification of an exposure as unlikely to pay is not necessarily tied to evident issues (non-repayment), but is rather linked to indicators of a potential default of the borrower.

IRB – Internal Rating Based

Method for determining the capital needed to cover credit risk within the framework of Pillar 1 of Basel 2 (see item). The rules are applied to the exposures of the banking book. Furthermore, in the IRB methods the risk weightings of the assets are determined on the basis of the bank's own internal evaluations of the debtors (or, in some cases, of the transactions). Using systems based on internal ratings, the banks determine the weighted risk exposure. The IRB methods consist of a basic method and an advanced method, which differ in terms of the risk parameters that the bank must estimate: in the basic method, the banks use their own estimates for "PD – Probability of Default" and the regulatory values for the other risk parameters; in the advanced method, the banks use their own estimates for "PD – Probability of Default ", "LGD – Loss Given Default", "CCF – Credit Conversion Factors" and, where provided for, "M - Maturity" (q.v.). The use of IRB methods for the calculation of capital requirements is subject to authorization from the Bank of Italy.

Maturity Ladder

Instrument for managing and monitoring short-term liquidity (operational liquidity), which, by offsetting assets and liabilities whose maturity falls within each individual time band, enables the identification of mismatches (periodic and cumulative) between incoming and outgoing cash flows and, therefore, to calculate the net financial requirement (or surplus) over the period of the year.

NSFR - Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) is structured to ensure that long-term assets are financed with at least a minimum amount of stable liabilities in relation to their respective liquidity risk profiles. The NSFR is aimed at limiting the excessive use of short-term wholesale deposits in periods of abundant market liquidity and encouraging a better assessment of liquidity risk based on all balance sheet and off-balance sheet items. The NSFR is defined as the ratio between the available amount of stable funding and the mandatory amount of stable funding

NPLs – Non performing loans

Non-Performing Loans (NPLs) are exposures to entities that, due to a worsening of their economic and financial situation, are not able to fulfill all or part of their contractual obligations. In accordance with the Implementing Technical Standards of the European Banking Authority (EBA), these are exposures for which the following criteria are met: (i) significant exposures past due for more than 90 days; (ii) exposures for which the bank deems the full compliance of the debtor unlikely without recourse to actions such as the enforcement of guarantees, regardless of the existence of an overdue amount or the number of expired days. The definitions of impaired loans adopted by the Bank of Italy are those that are harmonized at the level of the Supervisory Mechanism in line with the indications of the EBA and identify three sub-classes of impaired loans: "non-performing loans", "unlikely to pay" and "past due exposures".

KPI - “Key Performance Indicators”

Set of indicators used to evaluate the success of a particular activity or process.

LCP

Loss Confirmation Period.

LCR - Liquidity Coverage Ratio

Liquidity coverage ratio equal to the ratio between credit institution's liquidity buffer and its net outflows over a 30 calendar day stress period.

LGD – Loss Given Default

Expected value (which may be conditional upon adverse scenarios) of the ratio, expressed as a percentage, between the loss giving rise to the default and the amount of exposure at the time of the default (“EAD - Exposure At Default”, see item).

PD – Probability of Default

Default Probability of a counterparty entering into a situation of "default" (see item) within a period of one year..

Portafoglio commerciale

The set of loans that the Group grants to its customers in order to pursue its business objectives (for FinecoBank, these are loans granted to retail customers, such as mortgage loans). They are distinguished from operating loans, which are functional to the performance of banking activities (e.g., the retrocession of commissions from asset management companies).

Tier 1 Capital Ratio

The percentage of a bank’s Tier 1 Capital to its risk weighted assets “RWA – Risk Weighted Assets” (see item).

Rating

Evaluation of the quality of a company or its issues of debt securities on the basis of the company's financial soundness and prospects. This evaluation is made either by specialist agencies or by the bank on the basis of internal models.

Credit risk

The risk that an unexpected change in the credit rating of a counterparty, the value of the collateral they have provided, or of the amount used in the event of insolvency generates an unexpected change in the lending position of the Bank.

Counterparty credit risk

The risk that the counterparty in a transaction in financial instruments may enter default before settling all the agreed cash flows.

Glossary

Market risk

Consists of the effect that changes in market variables (interest rates, securities prices, exchange rates, etc.) can cause to the economic value of the portfolio, when it includes assets held in the trading book, as well as those posted in the banking book, both on the operations characteristically involved in commercial banking and in the choice of strategic investments.

Operational risk

The risk of losses due to errors, violations, interruptions, or damage caused by internal processes, personnel, systems or by external events. This definition includes legal and compliance risks, but excludes strategic and reputational risk. For example, losses arising from the following can be defined as operational: internal or external fraud, employment practices and workplace safety, customer claims, product distribution, fines and penalties for regulatory breaches, damage to the Company's physical assets, business disruption and system failures, and management of processes.

Countercyclical capital buffer

The countercyclical capital buffer consisting of Common Equity Tier 1 pursuant to Supervisory Regulations, according to the concept contained in Articles 128 and 130 of the CRD IV, equal to the risk weighted assets, calculated in accordance with Article 92, paragraph 3, of the CRR by the Company's countercyclical capital buffer, determined according to the criteria established by the Supervisory Regulations at an amount ranging from 0% to 2.5%.

Capital conservation buffer

According to the definition contained in Article 128 of the CRD IV, this is a capital reserve whose establishment is required by the regulations – as also specified in the Supervisory Provisions – aimed at providing banks of a high quality capital buffer to be used in periods of market strain to prevent malfunctions of the banking system and avoid disruptions in the credit granting process, amounting, when fully loaded, to 2.5% of risk-weighted assets, calculated in accordance with Article 92, sub-section 3, of the CRR on an individual and consolidated basis.

ROAC – Return on Allocated Capital

This is the ratio of net operating income to allocated capital (calculated using both the greater of absorbed regulatory capital and economic capital or net equity). Regulatory capital absorbed, economic capital, and net equity are calculated as the average of the averages of the quarters of the year.

RWA – Risk Weighted Assets

It is the value of on-balance sheet and off-balance sheet risk-weighted assets on the basis of different weighting factors according to the class in which the exposure is classified and its credit quality, in accordance with the banking regulations issued by the regulatory authorities for the calculation of the solvency ratios.

Sensitivity

It identifies the situation of greater or lesser sensitivity with which certain assets or liabilities react to changes in interest rates or other benchmarks.

Bad loans

Exposures to borrowers in a state of insolvency (even when not recognized in a court of law) or in an essentially similar situation, regardless of any loss forecasts made by the bank (i.e. irrespective of whether there are any – secured or personal – guarantees covering the exposures).

Trading book

Positions held for trading are those held intentionally for a subsequent sale in the near term and/or assumed with the intention of benefiting, in the short term, from the differences between buying and selling prices, or other price or interest rate interest variations.

TLTRO - *Targeted Longer-Term Refinancing Operations*

Programmes relating to targeted longer-term refinancing operations that provide euro area credit institutions with funding with multi-year maturities aimed at improving the functioning of the monetary policy transmission mechanism by supporting the supply of bank credit to the real economy.

Declaration of the nominated official in charge of drawing up company accounts

The undersigned Lorena Pelliciari, as nominated official in charge of drawing up company accounts of FinecoBank S.p.A.

DECLARES

that, pursuant to article 154-bis of the “Consolidated Law on Financial Intermediation”, the information disclosed in this document corresponds to the accounting documents, books and records.

Milan, March 16, 2021

Lorena Pelliciari

Annex 1 – Capital instruments main features template

Capital instruments main features templates*

*'N/A' if the information is not applicable

1	Issuer	FinecoBank S.p.A.	FinecoBank S.p.A.	FinecoBank S.p.A.
2	Unique identifier	XS2029623191	XS1764695018	IT0000072170
3	Governing laws of the instrument	Italian law	English law, with the exception of the provisions on the status of securities (position in the hierarchy of subordination (ranking) and waivers of compensation rights (set-off / netting)) and on the contractual recognition of the powers of bail-in statutes, governed by Italian law	Italian law
	Regulatory treatment			
4	Transitional CRR rules	Additional Tier 1 capital	Additional Tier 1 capital	Common Equity Tier 1
5	Post-transitional CRR rules	Additional Tier 1 capital	Additional Tier 1 capital	Common Equity Tier 1
6	Eligible at: Solo; consolidated; Solo and consolidated	Solo (FinecoBank S.p.A.) and Consolidated (FinecoBank Group)	Solo (FinecoBank S.p.A.) and Consolidated (FinecoBank Group)	Solo (FinecoBank S.p.A.) and Consolidated (FinecoBank Group)
7	Instrument type	Bond - Art. 51 CRR	Bond - Art. 51 CRR	Ordinary shares
8	Amount recognised in regulatory capital (€ million)	300	200	201
9	Nominal amount of instrument	300	200	201
9a	Issue price	100	100	N/A
9b	Redemption price	100	100	N/A
10	Accounting classification	Shareholders equity	Shareholders equity	Shareholders equity
11	Original date of issuance	18/07/2019	31/01/2018	N/A
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity
14	Issuer call subject to prior Supervisory approval	YES	YES	N/A
15	Optional call date, contingent call date and redemption amount	First optional early repayment date: 03/12/2024. 100% refund of the principal amount plus interest accrued on the repayment date "Regulatory call - Capital Event": 100% repayment of the principal amount plus accrued interest on the redemption date. "Tax event": 100% refund of the principal amount plus interest accrued on the repayment date "Repurchases": the Issuer may repurchase the Notes, also for market making purposes, in any case with the authorization of the competent authority.	First optional early repayment date: 03/06/2023. 100% refund of the principal amount plus interest accrued on the repayment date "Regulatory call - Capital Event": 100% repayment of the principal amount plus accrued interest on the redemption date. "Tax event": 100% refund of the principal amount plus interest accrued on the repayment date "Repurchases": the Issuer may repurchase the Notes, also for market making purposes, in any case with the authorization of the competent authority.	N/A
16	Subsequent call date, if applicable	Every 3 June and 3 December following the first optional early repayment date	Every 3 June and 3 December following the first optional early repayment date	N/A
	Coupon/dividends			
17	Fixed or floating dividend/coupon	Fixed	Fixed	Floating
18	Coupon rate and any related index	5.875% at year until 3 December 2024; subsequently reset every 5 years to the 5-year Mid-Swap Rate +614.4 bps	4.82% at year until 3 June 2023; subsequently reset every 5 years to the 5-year Mid-Swap Rate + 445.5 bps	N/A
19	Existence of dividend stopper	NO	NO	NO
20a	Fully discretionary, partially discretionally or mandatory (in terms of timing)	Fully discretionary. Insufficiency of elements of distributable capital; Distributions exceeding the Maximum Distributable Amount; "Loss Absorption Event"; Option at full discretion of the issuer	Fully discretionary. Insufficiency of elements of distributable capital; Distributions exceeding the Maximum Distributable Amount; "Loss Absorption Event"; Option at full discretion of the issuer	Fully discretionary
20b	Fully discretionary, partially discretionally or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	NO	NO	N/A
22	Non cumulative or cumulative	Non cumulative	Non cumulative	N/A
23	Convertible or non convertible	Not convertible	Not convertible	N/A
24	If convertible, conversion trigger(s)	-	-	N/A
25	If convertible, fully or partially	-	-	N/A
26	If convertible, conversion rate	-	-	N/A
27	If convertible, mandatory or optional conversion	-	-	N/A
28	If convertible, specify instrument type convertible into	-	-	N/A
29	If convertible, specify issuer of instruments it converts into	-	-	N/A
30	Write-down features	YES	YES	N/A
31	If write-down, write-down triggers	Capital shortfall	Capital shortfall	N/A
32	If write-down, full or partial	Partial	Partial	N/A
33	If write-down, permanent or temporary	Temporary	Temporary	N/A
34	If temporary write-down, description of write-up mechanism	If the Issuer has a positive net income, the Issuer may, in its total discretion and without prejudice to the Maximum Distributable Amount, increase the prevailing Principal Amount of the Bonds on a pro-quota basis with similar Additional Tier 1 instruments.	If the Issuer has a positive net income, the Issuer may, in its total discretion and without prejudice to the Maximum Distributable Amount, increase the prevailing Principal Amount of the Bonds on a pro-quota basis with similar Additional Tier 1 instruments.	N/A
35	Position in subordination hierarchy in liquidation	N/A	N/A	Additional Tier 1
36	Non-compliant transitioned features	NO	NO	NO
37	Non-compliant transitioned features	-	-	-

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